



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 30 August 2022, the Board hereby announces its unaudited financial results for the second quarter ended 30 June 2022.

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 2021.



HENGYUAN REFINING COMPANY BERHAD

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

Condensed Statement of Comprehensive Income

	Note	Unaudited Individual 30.06.2022 RM'000	Unaudited quarter ended 30.06.2021 RM'000	Unaudited Cumulative 30.06.2022 RM'000	Unaudited period ended 30.06.2021 RM'000
Revenue	A8	6,894,160	2,501,510	11,847,418	4,699,402
Purchases		(5,981,218)	(2,262,078)	(10,425,816)	(4,092,270)
Gross profit		912,942	239,432	1,421,602	607,132
Other income		4,799	5,248	14,517	17,491
Manufacturing expenses		(43,293)	(55,521)	(92,345)	(109,716)
Administrative expenses		(31,993)	(13,870)	(46,099)	(27,290)
Depreciation and amortisation		(26,555)	(30,212)	(52,175)	(59,640)
Other operating gains/(losses)		91,863	(220,761)	(246,699)	(465,447)
Finance cost		(10,506)	(4,779)	(16,266)	(9,421)
Profit/(Loss) before taxation	A10	897,257	(80,463)	982,535	(46,891)
Taxation	A11	(229,772)	21,087	(267,594)	3,823
Profit/(Loss) after taxation		667,485	(59,376)	714,941	(43,068)
Other comprehensive (expense)/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)		(244,699)	49,934	(466,643)	19,714
Cost of hedging reserve (net of tax)		(834,901)	(108,602)	(723,888)	(107,710)
		(1,079,600)	(58,668)	(1,190,531)	(87,996)
Total comprehensive (expense)/income for the financial period		(412,115)	(118,044)	(475,590)	(131,064)
Earnings/(Loss) per share:					
- basic/diluted (sen)	A9	222.49	(19.79)	238.31	(14.36)

The above Condensed Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2021 and the accompanying supplementary notes to these condensed financial statements.



HENGYUAN REFINING COMPANY BERHAD

Registration No. 196001000259 (3926-U)
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Condensed Statement of Financial Position

	Note	Unaudited As at <u>30.06.2022</u> RM'000	Audited As at <u>31.12.2021</u> RM'000
NON-CURRENT ASSETS			
Property, plant and equipment		2,043,756	2,008,877
Intangible assets		8,742	9,802
Right-of-use assets		12,566	16,340
Derivative financial assets	A18	14,363	19
Deferred tax assets		211,541	-
		<u>2,290,968</u>	<u>2,035,038</u>
CURRENT ASSETS			
Inventories		2,142,971	1,572,571
Trade receivables	A19	2,163,459	1,027,713
Other receivables and prepayments		1,675,720	133,518
Tax recoverable		-	3,051
Derivative financial assets	A18	247,598	21,235
Bank balances		464,461	690,005
		<u>6,694,209</u>	<u>3,448,093</u>
TOTAL ASSETS		<u>8,985,177</u>	<u>5,483,131</u>
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		300,000	300,000
Retained earnings		2,735,540	2,020,599
Cash flow hedge reserve		(543,706)	(77,063)
Cost of hedging reserve		(786,566)	(62,678)
Exchange translation reserve		(128,888)	(128,888)
		<u>1,576,380</u>	<u>2,051,970</u>
CURRENT LIABILITIES			
Trade and other payables		3,897,870	2,272,212
Amount due to immediate holding company and related company		15,071	11,687
Current tax liabilities		196,846	-
Lease liabilities		8,092	7,996
Contract liabilities		-	4,628
Derivative financial liabilities	A18	1,305,569	131,183
Borrowings	A20	1,500,466	478,057
		<u>6,923,914</u>	<u>2,905,763</u>
NON-CURRENT LIABILITIES			
Derivative financial liabilities	A18	480,908	96,264
Lease liabilities		3,975	8,105
Borrowings	A20	-	320,240
Deferred tax liabilities		-	100,789
		<u>484,883</u>	<u>525,398</u>
TOTAL EQUITY AND LIABILITIES		<u>8,985,177</u>	<u>5,483,131</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 2021 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 RM'000
	Number of shares '000	Share capital 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 2022	300,000	300,000	(77,063)	(62,678)	(128,888)	2,020,599	2,051,970
Net profit for the financial period	-	-	-	-	-	714,941	714,941
Other comprehensive expense for the financial period	-	-	(466,643)	(723,888)	-	-	(1,190,531)
Total comprehensive (expense)/income for the financial period	-	-	(466,643)	(723,888)	-	714,941	(475,590)
At 30 June 2022	<u>300,000</u>	<u>300,000</u>	<u>(543,706)</u>	<u>(786,566)</u>	<u>(128,888)</u>	<u>2,735,540</u>	<u>1,576,380</u>
Unaudited							
At 1 January 2021	300,000	300,000	49,552	(2,210)	(128,888)	1,949,927	2,168,381
Net loss for the financial period	-	-	-	-	-	(43,068)	(43,068)
Other comprehensive income/(expense) for the financial period	-	-	19,714	(107,710)	-	-	(87,996)
Total comprehensive income/(expense) for the financial period	-	-	19,714	(107,710)	-	(43,068)	(131,064)
Transaction with owners							
Dividends paid	-	-	-	-	-	(12,000)	(12,000)
Total transaction with owners	-	-	-	-	-	(12,000)	(12,000)
At 30 June 2021	<u>300,000</u>	<u>300,000</u>	<u>69,266</u>	<u>(109,920)</u>	<u>(128,888)</u>	<u>1,894,859</u>	<u>2,025,317</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 2021 and the accompanying supplementary notes to these condensed financial statements.



HENGYUAN REFINING COMPANY BERHAD

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Condensed Statement of Cash Flows

	Note	Cumulative period ended	
		Unaudited 30.06.2022 RM'000	Unaudited 30.06.2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) before taxation		982,535	(46,891)
Adjustments for:			
Depreciation of property, plant and equipment		47,051	54,545
Depreciation of right-of-use assets		3,774	3,756
Amortisation of intangible assets		1,350	1,339
Inventories written down		78,733	13,629
Impairment of receivables		1,597	318
Impairment of plant and equipment		12,108	-
Amortisation of term loan commitment fee		88	88
Interest expense		16,178	9,333
Interest income		(1,888)	(2,773)
Net fair value loss/(gain) on derivative financial instruments - unrealised		(248,269)	5,825
Net foreign exchange loss – unrealised		45,914	41,428
Operating profit before changes in working capital		939,171	80,597
Changes in working capital:			
Inventories		(649,133)	(523,744)
Trade and other receivables		(2,676,806)	(201,780)
Trade, other payables and amount due to immediate holding company and related company		1,630,044	142,589
Cash used in operating activities		(756,724)	(502,338)
Interest received		1,888	2,773
Tax paid		(4,070)	(57)
Net cash flows used in operating activities		(758,906)	(499,622)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(80,307)	(99,799)
Purchase of intangible assets		(290)	(42)
Net cash flows used in investing activities		(80,597)	(99,841)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(136,904)	(499,841)
Proceeds from borrowings		761,959	750,554
Interest paid		(23,793)	(14,261)
Repayment of principal portion of lease liabilities		(4,034)	(4,196)
Dividends paid	A12	-	(12,000)
Restricted cash for revolving credit and term loan facilities		(82,341)	23,995
Net cash flows generated from financing activities		514,887	244,251
NET DECREASE IN CASH AND CASH EQUIVALENTS		(324,616)	(355,212)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		584,536	683,843
EFFECTS OF EXCHANGE RATE CHANGES		16,731	5,286
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	A22	276,651	333,917

The above Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2021 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 2021.

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 2021.

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 2021, and for the following standards and interpretation which became effective on 1 January 2022:

(a) Amendments to published standards that are effective for financial periods beginning on or after 1 January 2022

- Amendments to MFRS 116 – Proceeds before Intended Use
- Amendments to MFRS 137 – Onerous Contracts: Cost of Fulfilling a Contract
- Annual improvements to MFR 9 – Fees in the ‘10% test’ for Derecognition of Financial Liabilities

Adoption of the above standards and interpretations did not have any significant impact on the financial statements.

(b) Amendments to published standards that are applicable to the Company but not yet effective

- 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 108 – Definition of Accounting Estimates and Errors (effective on or after 1 January 2023)
- Amendments to MFRS 112 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective on or after 1 January 2023)

The Company did not early adopt these amendments to MFRS and the financial impact that may arise from the adoption of the above new standards 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 2021 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 financial period ended 30 June 2022.

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 financial period ended 30 June 2022.

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.

A8 Revenue

	Quarter ended		Cumulative period ended	
	<u>30.06.2022</u>	<u>30.06.2021</u>	<u>30.06.2022</u>	<u>30.06.2021</u>
	RM'000	RM'000	RM'000	RM'000
Sale of oil products				
- Refined	6,892,976	2,483,754	11,845,827	4,681,242
- Crude oil	1,184	17,756	1,591	18,160
	<u>6,894,160</u>	<u>2,501,510</u>	<u>11,847,418</u>	<u>4,699,402</u>



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

A9 Earnings/(Loss) per share

	Quarter ended		Cumulative period ended	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
Net profit/(loss) for the period (RM'000)	667,485	(59,376)	714,941	(43,068)
Weighted average number of ordinary shares in issue ('000)	300,000	300,000	300,000	300,000
Basic/diluted earnings/(loss) per share (sen)	222.49	(19.79)	238.31	(14.36)

A10 Profit/(Loss) before taxation

	Quarter ended		Cumulative period ended	
	30.06.2022 RM'000	30.06.2021 RM'000	30.06.2022 RM'000	30.06.2021 RM'000
<i>The profit/(loss) before taxation is arrived at after crediting)/charging:</i>				
Interest income	(1,142)	(1,306)	(1,888)	(2,773)
Liquidated damages	(3,657)	(3,942)	(11,679)	(14,718)
Insurance claims	-	-	(950)	-
Amortisation of term loan commitment fees	44	44	88	88
Interest expense	10,462	4,735	16,178	9,333
Depreciation of property, plant and equipment	23,991	27,664	47,051	54,545
Depreciation of right-of-use assets	1,886	1,878	3,774	3,756
Amortisation of intangible assets	678	670	1,350	1,339
Impairment of plant and equipment	12,108	-	12,108	-
Inventories (written back)/written down	(52,825)	9,868	78,733	13,629
Impairment of receivables	1,597	-	1,597	318
Foreign exchange loss – realised	61,559	9,052	49,453	1,873
Foreign exchange loss/(gain) – unrealised	23,711	(7,077)	45,914	41,428
Fair value loss on derivative financial instruments	438,758	209,219	870,964	337,752

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 ended		Cumulative period ended	
	<u>30.06.2022</u>	<u>30.06.2021</u>	<u>30.06.2022</u>	<u>30.06.2021</u>
	RM'000	RM'000	RM'000	RM'000
<u>Malaysian tax</u>				
Current tax	122,234	-	203,967	-
Deferred tax	107,538	(21,087)	63,627	(3,823)
	<u>229,772</u>	<u>(21,087)</u>	<u>267,594</u>	<u>(3,823)</u>

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

	Quarter ended		Cumulative period ended	
	<u>30.06.2022</u>	<u>30.06.2021</u>	<u>30.06.2022</u>	<u>30.06.2021</u>
	%	%	%	%
Applicable tax rate	24	(24)	24	(24)
Tax effects in respect of:				
- Expenses not deductible for tax purpose	2	(2)	2	16
- Effect of increase in income tax rate	4	-	5	-
- Recognition of reinvestment allowance	(4)	-	(4)	-
	<u>26</u>	<u>(26)</u>	<u>27</u>	<u>(8)</u>

A12 Dividend

No dividend was paid during the current quarter and financial period ended 30 June 2022.

On 30 August 2022, the Board of Directors have, in respect of financial year ending 31 December 2022, declared a first interim single tier dividend of 10.00 sen per share on 300,000,000 ordinary shares.

The dividend will be payable on 25 October 2022 to shareholders of ordinary shares whose names appear in the Record of Depositors at the close of business on 3 October 2022.

A Depositor shall qualify for the entitlement only in respect of:

- (i) shares transferred into the Depositor's securities account before 5 p.m. on 3 October 2022 in respect of ordinary transfers; and
- (ii) shares bought on Bursa Malaysia on a cum entitlement basis according to the Rules of the Bursa Malaysia Listing Requirements.



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

A13 Changes in the composition of the Company

There were no changes in the composition of the Company in the current quarter and financial period ended 30 June 2022.

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 2021.

A15 Corporate proposal

There were no corporate proposals announced and not completed as at 30 June 2022.

A16 Material litigation

There were no material litigations involving the Company since 31 December 2021.

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 that are denominated in 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 2021.

Derivatives classified within current assets and current liabilities as at 30 June 2022 will mature within the next twelve months. Derivatives classified within non-current assets and liabilities will mature beyond 12 months.

**HENGYUAN REFINING COMPANY BERHAD**Registration No. 196001000259 (3926-U)
(Incorporated in Malaysia)**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 measured at amortised cost approximate their respective fair values as at 30 June 2022.

(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).

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) – Level 2</u>			
<u>30.06.2022</u>			
Forward foreign currency contracts	166,690	896	-
Forward priced commodity contracts	73,182	-	(1,141)
Commodity swap contracts	210,535	-	(33,118)
Commodity options contracts	-	-	-
Refining margin swap contracts	226,945	261,065	(1,751,332)
Interest rate swap contracts	51,250	-	(886)
<u>31.12.2021</u>			
Forward foreign currency contracts	76,000	51	(373)
Forward priced commodity contracts	72,228	-	(28,136)
Commodity swap contracts	731	447	-
Commodity options contracts	7,653	1,093	(5,245)
Refining margin swap contracts	280,487	19,663	(187,074)
Interest rate swap contracts	71,875	-	(6,619)

During the current quarter ended 30 June 2022 and financial year ended 31 December 2021, there were no transfer between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurement. The fair values were obtained from the counterparties.

**HENGYUAN REFINING COMPANY BERHAD**Registration No. 196001000259 (3926-U)
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*(continued)***A19 Trade receivables**

	As at 30.06.2022 RM'000	As at 31.12.2021 RM'000
Current	2,158,117	1,012,356
1 to 30 days past due	27	14,220
31 to 180 days past due	5,775	-
More than 180 days past due	28,381	26,958
	2,192,300	1,053,534
Less: Impairment of receivables	(28,841)	(25,821)
	2,163,459	1,027,713

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with reliable payment records and have a low risk of default. None of the Company's trade receivables have been renegotiated during the financial period.

Receivables that are past due but not impaired

The receivable balances are unsecured in nature and are related to customers with good payment history.

A20 Borrowings

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

	As at 30.06.2022 RM'000	As at 31.12.2021 RM'000
<u>Secured</u>		
Term loans, revolving credits and overdrafts	1,500,466	798,297
Less: Amount repayable within 12 months	(1,500,466)	(478,057)
Amount repayable after 12 months	-	320,240
Currency profile of borrowings:		
- USD	1,500,466	798,297

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 2021.

As at 30 June 2022, the Company had current borrowings of RM1,500 million. The Company is undergoing refinancing of its term loans and revolving credits. The Board is confident that the refinancing program will be completed prior to the required repayment of the borrowings in January 2023. The proceeds from the refinancing will enable the Company to meet its working capital requirements in addition to repayment of the borrowings.



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

A20 Borrowings (continued)

Accordingly, the Company has prepared cash flows forecast for the next twelve months from the reporting date incorporating the completion of the refinancing exercise and forecast of the future operating cashflows based on their past performance and estimated sales volume. Based on the cash flow forecasts, the Directors are of the views that the Company is able to generate sufficient cash flows for the next twelve months from the reporting date to meet their operation requirements and the scheduled term loan repayments.

A21 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 2022	798,297	-
- 1 January 2021	-	799,807
Proceeds from borrowings	761,959	750,554
Repayment of borrowings (includes interest paid)	(151,391)	(508,456)
Non-cash changes:		
- Interest accrued	15,130	8,763
- Amortisation of term loan commitment fees	88	88
- Unrealised foreign exchange loss	76,383	30,235
As at		
- 30 June 2022	1,500,466	-
- 30 June 2021	-	1,080,991

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

	RM'000	RM'000
As at		
- 1 January 2022	16,101	-
- 1 January 2021	-	23,518
Repayment of lease liabilities	(4,216)	(4,196)
Non-cash changes:		
- Interest expenses	182	340
As at		
- 30 June 2022	12,067	-
- 30 June 2021	-	19,662



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

A22 Cash and cash equivalents

	As at 30.06.2022 RM'000	As at 30.06.2021 RM'000
<u>Cash and cash equivalents comprise of:</u>		
Bank balances	464,461	363,277
Less: Restricted cash	(187,810)	(29,360)
	<u>276,651</u>	<u>333,917</u>

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

A23 Capital commitments

Capital commitments are as follows:

	As at 30.06.2022 RM'000	As at 31.12.2021 RM'000
<u>Plant and equipment</u>		
Approved and contracted for	69,019	117,670
Approved but not contracted for	69,338	93,588

A24 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.

A25 Current year prospects

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

**HENGYUAN REFINING COMPANY BERHAD**Registration No. 196001000259 (3926-U)
(Incorporated in Malaysia)**Part A: Explanatory Notes Pursuant to MFRS 134 Interim Financial Reporting**
*(continued)***A26 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 ended		Cumulative period ended	
	<u>30.06.2022</u> RM'000	<u>30.06.2021</u> RM'000	<u>30.06.2022</u> RM'000	<u>30.06.2021</u> RM'000
Transactions with immediate holding company				
- Freight and freight brokerage services in relation to purchase of crude oil	<u>-</u>	<u>-</u>	<u>(455)</u>	<u>(2,397)</u>
- Central management and administrative charges	<u>(603)</u>	<u>(21)</u>	<u>(603)</u>	<u>(25)</u>
Transactions with an affiliated company				
- Central management and administrative charges	<u>(2,323)</u>	<u>(2,197)</u>	<u>(4,921)</u>	<u>(4,559)</u>
- Technical advisory support	<u>(4,930)</u>	<u>(5,333)</u>	<u>(9,819)</u>	<u>(10,647)</u>
- Rental of premises	<u>(49)</u>	<u>-</u>	<u>(62)</u>	<u>-</u>



HENGYUAN REFINING COMPANY BERHAD

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Part B: Additional information Required by Bursa Malaysia Listing Requirements

B1 Financial review for current quarter and financial period

	Quarter ended				Cumulative period ended			
	<u>30.06.2022</u>	<u>30.06.2021</u>	Variance	%	<u>30.06.2022</u>	<u>30.06.2021</u>	Variance	%
	RM'mil	RM'mil	RM'mil		RM'mil	RM'mil	RM'mil	
Revenue	6,894	2,501	4,393	>100	11,847	4,699	7,148	>100
Gross profit plus fair value changes in oil hedges recognised within other operating gains/(losses)	1,089	21	1,068	>100	1,269	185	1,084	>100
Profit(Loss) after taxation	667	(59)	726	>100	715	(43)	758	>100

The increase in the Company's revenue for both the current quarter ("2Q 2022") and cumulative period ("YTD 2022") was due to higher product prices and sales volume. The product prices during 2Q 2022 and YTD 2022 improved from an average price of USD75 per barrel and USD71 per barrel for the corresponding periods in 2021 to USD151 per barrel and USD133 per barrel respectively. Sales volumes for 2Q 2022 and YTD 2022 rose by 35% and 33% respectively, as compared to the corresponding periods in 2021, as a result of stronger demand.

Improvement in refining margin was contributed by better cracks for Mogas, Gasoil and Jet Fuel as well as stockholding gains in both 2Q 2022 and YTD 2022, fuelled by market sentiments over the oil supply and demand imbalance.

Better refining margin, coupled with company-wide cost optimisation initiatives contributed to improvement in the Company's net profit for 2Q 2022 and YTD 2022.

B2 Financial review for current quarter compared with immediate preceding quarter

	<u>30.06.2022</u>	Quarter ended		%
	RM'mil	<u>31.03.2022</u>	Variance	
	RM'mil	RM'mil	RM'mil	
Revenue	6,894	4,953	1,941	39
Gross profit plus fair value changes in oil hedges recognised within other operating gains/(losses)	1,089	180	909	>100
Profit after taxation	667	47	620	>100

Revenue improved by 39% for the quarter under review as the oil product prices continued to remain strong, with an average price of USD151 per barrel in 2Q 2022 as compared to USD115 per barrel in 1Q 2022, with resilient market demand. The increase in refining margin was driven by better cracks for Mogas, Gasoil and Jet Fuel, following sanctions on Russian oil products.



HENGYUAN REFINING COMPANY BERHAD

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

B3 Current year prospects

The industry continued to be challenged by volatility in the global oil market.

The Company is actively monitoring the current market conditions and will continue its efforts to focus on operational efficiency, product quality, hydrocarbon hedging and financial risk management to optimize its performance.

B4 Status of Project Euro 4 Mogas

The Euro 4 Mogas project is expected to be completed in 4Q 2022. Any delay is not expected to have significant adverse effects to the Company's operations and its ability to supply to the market. 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.

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
30 August 2022