



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 27 August 2024, the Board hereby announces its unaudited financial results for the second quarter ended 30 June 2024.

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 Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“BMSB”) and should be read in conjunction with the Company’s audited financial statements for the financial year ended 31 December 2023.



HENGYUAN REFINING COMPANY BERHAD

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

Condensed Statement of Comprehensive Income

| | Note | Unaudited Individual quarter ended 30.06.2024 RM'000 | Unaudited quarter ended 30.06.2023 RM'000 | Unaudited Cumulative period ended 30.06.2024 RM'000 | Unaudited period ended 30.06.2023 RM'000 |
|--|------|---|--|--|---|
| Revenue | A8 | 4,623,419 | 3,541,138 | 9,610,856 | 7,923,561 |
| Purchases | | (4,745,468) | (3,507,454) | (9,453,075) | (7,935,053) |
| Gross (loss)/profit | | (122,049) | 33,684 | 157,781 | (11,492) |
| Other income | | 2,036 | 3,109 | 4,817 | 10,354 |
| Manufacturing expenses | | (44,434) | (41,675) | (87,356) | (94,086) |
| Administrative expenses | | (19,272) | (21,664) | (36,763) | (34,568) |
| Depreciation and amortisation | | (37,716) | (35,919) | (75,862) | (70,475) |
| Other operating gains/(losses) | | 57,319 | (5,372) | (92,281) | (21,266) |
| Finance cost | | (35,580) | (27,671) | (68,672) | (54,588) |
| Loss before taxation | A10 | (199,696) | (95,508) | (198,336) | (276,121) |
| Taxation | A11 | 192 | - | - | 60,070 |
| Loss after taxation | | (199,504) | (95,508) | (198,336) | (216,051) |
| Other comprehensive income/(expenses): | | | | | |
| <i>Items that will be reclassified to profit or loss:</i> | | | | | |
| Cash flow hedge – net fair value gain on derivatives used for hedging (net of tax) | | 17,280 | 5,545 | 84,370 | 456,542 |
| Cost of hedging reserve (net of tax) | | 10,325 | (4,880) | 24,860 | (34,175) |
| | | 27,605 | 665 | 109,230 | 422,367 |
| Total comprehensive (expenses)/income for the financial period | | (171,899) | (94,843) | (89,106) | 206,316 |
| Loss per share: | | | | | |
| - basic/diluted (sen) | A9 | (66.50) | (31.84) | (66.11) | (72.02) |

The above Condensed Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2023 and the accompanying supplementary notes to these condensed financial statements.



HENGYUAN REFINING COMPANY BERHAD

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

Condensed Statement of Financial Position

| | Note | Unaudited As at <u>30.06.2024</u> RM'000 | Audited As at <u>31.12.2023</u> RM'000 |
|---|------|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 2,147,564 | 2,196,984 |
| Intangible assets | | 3,476 | 4,764 |
| Right-of-use assets | | 1,800 | 2,461 |
| Deferred tax assets | | 104,308 | 138,801 |
| | | <u>2,257,148</u> | <u>2,343,010</u> |
| CURRENT ASSETS | | | |
| Inventories | | 1,661,727 | 1,391,361 |
| Trade receivables | A19 | 1,306,960 | 765,330 |
| Other receivables and prepayments | | 49,354 | 69,240 |
| Tax recoverable | | 19,372 | 19,372 |
| Derivative financial assets | A18 | 9,904 | 21,016 |
| Bank balances | | 431,229 | 1,028,529 |
| | | <u>3,478,546</u> | <u>3,294,848</u> |
| TOTAL ASSETS | | <u>5,735,694</u> | <u>5,637,858</u> |
| CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY | | | |
| Share capital | | 300,000 | 300,000 |
| Retained earnings | | 1,146,053 | 1,344,389 |
| Cash flow hedge reserve | | (12,825) | (97,195) |
| Cost of hedging reserve | | 9,120 | (15,740) |
| Exchange translation reserve | | (128,888) | (128,888) |
| | | <u>1,313,460</u> | <u>1,402,566</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 2,664,695 | 2,330,867 |
| Amount due to penultimate holding company and related company | | 8,464 | 11,965 |
| Lease liabilities | | 229 | 753 |
| Derivative financial liabilities | A18 | 35,114 | 170,667 |
| Borrowings | A20 | 1,209,045 | 1,216,366 |
| | | <u>3,917,547</u> | <u>3,730,618</u> |
| NON-CURRENT LIABILITIES | | | |
| Lease liabilities | | 54 | 159 |
| Borrowings | A20 | 504,633 | 504,515 |
| | | <u>504,687</u> | <u>504,674</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>5,735,694</u> | <u>5,637,858</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 2023 and the accompanying supplementary notes to these condensed financial statements.



HENGYUAN REFINING COMPANY BERHAD

Registration No. 196001000259 (3926-U)

(Incorporated in Malaysia)

Condensed Statement of Changes in Equity

| Note | Issued and fully paid ordinary shares | | Non-distributable | | | Distributable | Total |
|---|---------------------------------------|----------------------|--------------------------------|--------------------------------|-------------------------------------|--------------------------|------------------|
| | 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 2024 | 300,000 | 300,000 | (97,195) | (15,740) | (128,888) | 1,344,389 | 1,402,566 |
| Net loss for the financial period | - | - | - | - | - | (198,336) | (198,336) |
| Other comprehensive income for the financial period | - | - | 84,370 | 24,860 | - | - | 109,230 |
| Total comprehensive income/ (expenses) for the financial period | - | - | 84,370 | 24,860 | - | (198,336) | (89,106) |
| At 30 June 2024 | <u>300,000</u> | <u>300,000</u> | <u>(12,825)</u> | <u>9,120</u> | <u>(128,888)</u> | <u>1,146,053</u> | <u>1,313,460</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 2023 and the accompanying supplementary notes to these condensed financial statements.



HENGYUAN REFINING COMPANY BERHAD

Registration No. 196001000259 (3926-U)

(Incorporated in Malaysia)

Condensed Statement of Changes in Equity

| Note | Issued and fully paid ordinary shares | | Non-distributable | | | Distributable | Total |
|--|---------------------------------------|----------------------|--------------------------------|--------------------------------|-------------------------------------|--------------------------|------------------|
| | 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 | |
| <u>Unaudited</u> | | | | | | | |
| At 1 January 2023 | 300,000 | 300,000 | (629,118) | (1,156) | (128,888) | 1,832,959 | 1,373,797 |
| Net loss for the financial period | - | - | - | - | - | (216,051) | (216,051) |
| Other comprehensive income/(expenses) for the financial period | - | - | 456,542 | (34,175) | - | - | 422,367 |
| Total comprehensive income/(expenses) for the financial period | - | - | 456,542 | (34,175) | - | (216,051) | 206,316 |
| At 30 June 2023 | <u>300,000</u> | <u>300,000</u> | <u>(172,576)</u> | <u>(35,331)</u> | <u>(128,888)</u> | <u>1,616,908</u> | <u>1,580,113</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 2023 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 Cash Flows

| | Note | Cumulative period ended | |
|---|------------|-----------------------------------|-----------------------------------|
| | | Unaudited 30.06.2024 RM'000 | Unaudited 30.06.2023 RM'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Loss before taxation | | (198,336) | (276,121) |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | | 73,810 | 65,476 |
| Depreciation of right-of-use assets | | 764 | 3,682 |
| Amortisation of intangible assets | | 1,288 | 1,317 |
| Inventories written back | | (23,964) | (79,182) |
| Impairment of receivables | | - | 169 |
| Amortisation of upfront and commitment fees for borrowings | | 195 | 2,856 |
| Interest expense | | 68,477 | 51,732 |
| Interest income | | (4,817) | (10,342) |
| Gain on modification of lease contracts | | - | (12) |
| Net fair value loss on derivative financial instruments – unrealised | | 19,294 | 34,654 |
| Net foreign exchange loss – unrealised | | 27,282 | 105,392 |
| Operating loss before changes in working capital | | (36,007) | (100,379) |
| Changes in working capital: | | | |
| Inventories | | (246,402) | 1,174,576 |
| Trade and other receivables | | (520,960) | 929,607 |
| Trade, other payables and amounts due to penultimate holding company, immediate holding company and related company | | 351,592 | (2,271,596) |
| Cash used in operating activities | | (451,777) | (267,792) |
| Interest received | | 4,817 | 10,342 |
| Tax paid | | - | (4,311) |
| Net cash flows used in operating activities | | (446,960) | (261,761) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | | (67,871) | (109,744) |
| Net cash flows used in investing activities | | (67,871) | (109,744) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Repayment of borrowings | | (1,017,081) | (1,116,063) |
| Proceeds from borrowings | | 995,056 | 440,702 |
| Interest paid | | (68,884) | (51,149) |
| Repayment of principal portion of lease liabilities | | (732) | (4,122) |
| Restricted cash for borrowing facilities | | (50,278) | 52,386 |
| Net cash flows used in financing activities | | (141,919) | (678,246) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | (656,750) | (1,049,751) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR | | 1,019,788 | 1,233,608 |
| EFFECTS OF EXCHANGE RATE CHANGES | | 9,172 | 17,542 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD | A22 | 372,210 | 201,399 |

The above Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2023 and the accompanying supplementary notes to these condensed financial statements.



HENGYUAN REFINING COMPANY BERHAD

Registration No. 196001000259 (3926-U)
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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”, paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“BMSB”) and the requirements of the Companies Act 2016 in Malaysia, where applicable.

This unaudited interim financial report should be read in conjunction with the Company’s audited financial statements for the financial year ended 31 December 2023. 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 2023.

The unaudited 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 2023, and for the following standards and interpretations which became effective on 1 January 2024:

(a) Amendments to published standards that are effective for financial year beginning on or after 1 January 2024

- Amendments to MFRS 101 – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current
- Amendments to MFRS 16 – Lease Liability in a Sale and Leaseback
- Amendments to MFRS 107 and MFRS 7 – Supplier Finance Arrangements

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 121 – Lack of Exchangeability (effective on or after 1 January 2025)
- Amendments to MFRS 9 and MFRS 7 – Amendments to the Classification and Measurement of Financial Instruments (effective on or after 1 January 2026)
- MFRS 18 – Presentation and Disclosure in Financial Statements (effective on or after 1 January 2027)

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.



HENGYUAN REFINING COMPANY BERHAD

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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 2023 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 ended 30 June 2024.

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 30 June 2024.

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 ended | | Cumulative period ended | |
|----------------------|-------------------|-------------------|-------------------------|-------------------|
| | <u>30.06.2024</u> | <u>30.06.2023</u> | <u>30.06.2024</u> | <u>30.06.2023</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Sale of oil products | | | | |
| - Refined | 4,622,492 | 3,540,278 | 9,608,885 | 7,922,293 |
| - Crude oil | 927 | 860 | 1,971 | 1,268 |
| | <u>4,623,419</u> | <u>3,541,138</u> | <u>9,610,856</u> | <u>7,923,561</u> |

A9 Loss per share

| | Quarter ended | | Cumulative period ended | |
|--|-------------------|-------------------|-------------------------|-------------------|
| | <u>30.06.2024</u> | <u>30.06.2023</u> | <u>30.06.2024</u> | <u>30.06.2023</u> |
| Net loss for the financial period (RM'000) | (199,504) | (95,508) | (198,336) | (216,051) |
| Weighted average number of ordinary shares in issue ('000) | 300,000 | 300,000 | 300,000 | 300,000 |
| Basic/diluted loss per share (sen) | (66.50) | (31.84) | (66.11) | (72.02) |



HENGYUAN REFINING COMPANY BERHAD

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

A10 Loss before taxation

| | Quarter ended | | Cumulative period ended | |
|--|-------------------|-------------------|-------------------------|-------------------|
| | <u>30.06.2024</u> | <u>30.06.2023</u> | <u>30.06.2024</u> | <u>30.06.2023</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| <i>The loss before taxation is arrived at after (crediting)/ charging:</i> | | | | |
| Interest income | (2,036) | (3,097) | (4,817) | (10,342) |
| Gain on modification of lease contracts | - | (12) | - | (12) |
| Amortisation of upfront and commitment fees for borrowings | 98 | 1,415 | 195 | 2,856 |
| Interest expense | 35,482 | 26,256 | 68,477 | 51,732 |
| Depreciation of property, plant and equipment | 36,948 | 33,438 | 73,810 | 65,476 |
| Depreciation of right-of-use assets | 124 | 1,837 | 764 | 3,682 |
| Amortisation of intangible assets | 644 | 644 | 1,288 | 1,317 |
| Impairment of receivables | - | 169 | - | 169 |
| Inventories written back | (2,549) | (22,033) | (23,964) | (79,182) |
| Foreign exchange (gain)/loss – realised | (5,657) | (44) | 3,975 | (31,467) |
| Foreign exchange (gain)/loss – unrealised | (135) | 67,549 | 27,282 | 105,392 |
| Fair value (gain)/loss on derivative financial instruments | (81,328) | (77,213) | 130,831 | 175,350 |

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>30.06.2024</u> | <u>30.06.2023</u> | <u>30.06.2024</u> | <u>30.06.2023</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Malaysian tax | | | | |
| Deferred tax | (192) | - | - | (60,070) |
| | <u>(192)</u> | <u>-</u> | <u>-</u> | <u>(60,070)</u> |

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

| | Quarter ended | | Cumulative period ended | |
|--|-------------------|-------------------|-------------------------|-------------------|
| | <u>30.06.2024</u> | <u>30.06.2023</u> | <u>30.06.2024</u> | <u>30.06.2023</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Loss before taxation | (199,696) | (95,508) | (198,336) | (276,121) |
| Applicable tax rate at 24% | (47,927) | (22,922) | (47,601) | (66,269) |
| Expenses not deductible for tax purposes | (1,718) | 1,521 | 19,688 | 2,453 |
| Income not taxable for tax purposes | - | 4,485 | - | (13,170) |
| Deferred tax assets not recognised on unutilised tax losses/(Recognition of unutilised tax losses previously not recognised) | 3,229 | 16,916 | (4,815) | 16,916 |
| Derecognition of unused reinvestment allowance previously recognised | 46,224 | - | 32,728 | - |
| | <u>(192)</u> | <u>-</u> | <u>-</u> | <u>(60,070)</u> |

During the current quarter under review, deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available for utilisation prior to the expiry of the tax benefits.

A12 Dividend

The Company did not declare any dividend for the current quarter ended 30 June 2024.



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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 ended 30 June 2024.

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 2023.

A15 Corporate proposal

There were no corporate proposals announced which was not completed as of 20 August 2024 (being the latest practicable date which shall not be earlier than 7 days from the date of issue of this report).

A16 Material litigation

There were no material litigations involving the Company since 31 December 2023.

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 those disclosed in the audited financial statements for the financial year ended 31 December 2023.

Derivatives classified within current assets and current liabilities as at 30 June 2024 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 measured at amortised cost approximate their respective fair values as at 30 June 2024.

- (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>30.06.2024</u> | | | |
| Forward foreign currency contracts | 101,000 | 1,853 | - |
| Commodity swap contracts | 140,700 | 782 | (17,926) |
| Refining margin swap contracts | 78,934 | 7,269 | (17,188) |
| <u>31.12.2023</u> | | | |
| Forward foreign currency contracts | 193,000 | - | (10,068) |
| Forward priced commodity contracts | 23,875 | 3,424 | - |
| Commodity swap contracts | 248,500 | 11,679 | (10,712) |
| Refining margin swap contracts | 55,717 | 5,913 | (149,887) |

During the current quarter ended 30 June 2024 and financial year ended 31 December 2023, 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.



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

A19 Trade receivables

| | As at 30.06.2024 | As at 31.12.2023 |
|---------------------------------|-----------------------------------|-----------------------------------|
| | RM'000 | RM'000 |
| Current | 1,296,731 | 705,220 |
| 1 to 30 days past due | 9,206 | 59,592 |
| 31 to 180 days past due | 1,023 | 518 |
| More than 180 days past due | 169 | 169 |
| | 1,307,129 | 765,499 |
| Less: Impairment of receivables | (169) | (169) |
| | 1,306,960 | 765,330 |

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 30.06.2024 | As at 31.12.2023 |
|---|-----------------------------------|-----------------------------------|
| | RM'000 | RM'000 |
| Medium term notes and revolving credits (secured) | 1,555,527 | 1,563,271 |
| Short-term loans (unsecured) | 158,151 | 157,610 |
| | 1,713,678 | 1,720,881 |
| Less: Amount repayable within 12 months | (1,209,045) | (1,216,366) |
| Amount repayable after 12 months | 504,633 | 504,515 |
| Currency profile of borrowings: | | |
| - USD | 405,947 | 708,520 |
| - MYR | 1,307,731 | 1,012,361 |



HENGYUAN REFINING COMPANY BERHAD

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

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 2024 | 1,720,881 | - |
| - 1 January 2023 | - | 1,608,947 |
| Proceeds from borrowings | 995,056 | 440,702 |
| Repayment of borrowings (includes interest paid) | (1,068,617) | (1,161,743) |
| Non-cash changes: | | |
| - Interest accrued | 50,925 | 46,044 |
| - Amortisation of upfront and commitment fees for borrowings | 195 | 2,856 |
| - Unrealised foreign exchange loss | 15,238 | 46,213 |
| As at | | |
| - 30 June 2024 | 1,713,678 | - |
| - 30 June 2023 | - | 983,019 |

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

| | RM'000 | RM'000 |
|-----------------------------------|--------|---------|
| As at | | |
| - 1 January 2024 | 912 | - |
| - 1 January 2023 | - | 8,105 |
| Repayment of lease liabilities | (771) | (4,144) |
| Non-cash changes: | | |
| - Modification on lease contracts | 103 | (379) |
| - Interest expenses | 39 | 22 |
| As at | | |
| - 30 June 2024 | 283 | - |
| - 30 June 2023 | - | 3,604 |



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

A22 Cash and cash equivalents

| | As at 30.06.2024 RM'000 | As at 30.06.2023 RM'000 |
|---|--|--|
| <u>Cash and cash equivalents comprise of:</u> | | |
| Bank balances | 431,229 | 250,237 |
| Less: Restricted cash | <u>(59,019)</u> | <u>(48,838)</u> |
| | <u>372,210</u> | <u>201,399</u> |

Restricted cash comprise of amounts held in a debt service accrual account associated with the medium term notes and revolving credits.

A23 Capital commitments

Capital commitments are as follows:

| | As at 30.06.2024 RM'000 | As at 31.12.2023 RM'000 |
|-----------------------------|--|--|
| <u>Plant and equipment</u> | | |
| Approved and contracted for | <u>32,052</u> | <u>52,842</u> |

A24 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 | |
|--|------------------------------|------------------------------|--------------------------------|------------------------------|
| | 30.06.2024 RM'000 | 30.06.2023 RM'000 | 30.06.2024 RM'000 | 30.06.2023 RM'000 |
| <u>Transactions with immediate holding company</u> | | | | |
| - Central management and administrative charges | <u>-</u> | <u>(3)</u> | <u>-</u> | <u>(503)</u> |
| <u>Transactions with an affiliated company</u> | | | | |
| - Central management and administrative charges | <u>(3,556)</u> | <u>(2,349)</u> | <u>(7,005)</u> | <u>(5,321)</u> |
| - Technical advisory support | <u>(4,508)</u> | <u>(4,901)</u> | <u>(10,180)</u> | <u>(10,058)</u> |
| - Rental of premises | <u>(135)</u> | <u>(110)</u> | <u>(269)</u> | <u>(229)</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 ended | | | | Cumulative period ended | | | |
|--|-------------------|-------------------|-----------------|-------|-------------------------|-------------------|-----------------|------|
| | <u>30.06.2024</u> | <u>30.06.2023</u> | Variance | | <u>30.06.2024</u> | <u>30.06.2023</u> | Variance | |
| | RM'mil | RM'mil | RM'mil | % | RM'mil | RM'mil | RM'mil | % |
| Revenue | 4,623 | 3,541 | 1,082 | 31 | 9,611 | 7,924 | 1,687 | 21 |
| Gross (loss)/ profit plus fair value changes in oil hedges recognised within other operating gains/(losses) | (73) | 85 | (158) | >-100 | 85 | 32 | 53 | >100 |
| Loss after taxation | (199) | (96) | (103) | >-100 | (198) | (216) | 18 | 8 |

After the Major Turnaround exercise in June 2023, the Company recorded an increase in sales volume for the current quarter and year-to-date for the financial period 2024 compared to the corresponding periods in 2023. In addition, due to higher average product prices, the total revenue for the periods under review was higher than the corresponding periods in 2023.

The cracks for Gasoil and Jet A1 remained relatively unchanged, while the cracks for Mogas decreased in the second quarter of 2024 compared to the same period in 2023. Despite lower average crack margins, the YTD gross margin is higher in 2024 compared to the corresponding period in 2023 due to lower hedging losses in the current period.

However, the performance for the current quarter is impacted by the shutdown of the Long Residue Catalytic Cracking Unit ("LRCCU"), which negatively affected production yields resulting in higher net loss in Q2 2024 compared to the corresponding quarter in 2023, whereas YTD net loss for 2024 is marginally lower than that recorded in 2023.

B2 Financial review for current quarter compared with immediate preceding quarter

| | <u>30.06.2024</u> | Quarter ended | | |
|--|-------------------|-------------------|-----------------|-------|
| | RM'mil | <u>31.03.2024</u> | Variance | |
| | | RM'mil | RM'mil | % |
| Revenue | 4,623 | 4,987 | (364) | -7 |
| Gross (loss)/profit plus fair value changes in oil hedges recognised within other operating gains/(losses) | (73) | 158 | (231) | >-100 |
| (Loss)/Profit after taxation | (199) | 1 | (200) | >-100 |

The Q2 2024 results were adversely affected by the unplanned shutdown of the LRCCU, resulting in lower sales volume. Additionally, the weakening of cracks for all three main products led to higher loss recorded in the current quarter as compared to the preceding quarter.



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

B3 Current year prospects

Crude oil prices remain volatile, with increased geopolitical risk putting pressure on the global oil supply landscape. The gasoline market is also expected to be impacted by the upcoming announcement of the third batch of export quotas from China, which will affect supply in the region. However, inventories are expected to build up in the second half of the year in anticipation of the winter demand season, potentially supporting the gasoil demand outlook.

Crude oil prices affect refinery margins, and prolonged instability will create volatile and unpredictable market conditions. These conditions will impact the Company's performance, requiring careful consideration and prudent decision-making.

The Company diligently monitors and prepares to address these challenges, remaining poised to navigate market conditions and enhance its performance.

B4 Profit forecast

The Company does not issue any profit forecast.

BY ORDER OF THE BOARD

Chua Chia Kee (MAICSA 7078002)
Ong Wai Leng (MAICSA 7065544)
Company Secretaries

Kuala Lumpur
27 August 2024