



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 26 November 2021 the Board hereby announces its unaudited financial results for the third quarter ended 30 September 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

| | Note | Unaudited Individual 30.09.2021 RM'000 | Unaudited quarter ended 30.09.2020 RM'000 | Unaudited Cumulative 30.09.2021 RM'000 | Unaudited period ended 30.09.2020 RM'000 |
|---|------|---|--|---|---|
| Revenue | A8 | 3,249,998 | 1,588,139 | 7,949,400 | 5,351,299 |
| Purchases | | (3,082,358) | (1,294,170) | (7,174,628) | (5,247,588) |
| Gross profit | | 167,640 | 293,969 | 774,772 | 103,711 |
| Other income | | 7,881 | 1,495 | 25,372 | 4,917 |
| Manufacturing expenses | | (50,149) | (53,148) | (159,865) | (166,920) |
| Administrative expenses | | (14,152) | (14,483) | (41,442) | (63,489) |
| Depreciation and amortisation | | (30,218) | (29,575) | (89,858) | (89,023) |
| Other operating (losses)/gains | | (129,694) | (41,411) | (595,141) | 258,299 |
| Finance cost | | (6,912) | (4,834) | (16,333) | (18,864) |
| (Loss)/profit before taxation | A10 | (55,604) | 152,013 | (102,495) | 28,631 |
| Taxation | A11 | 1,561 | 2,899 | 5,384 | 50,830 |
| (Loss)/profit after taxation | | (54,043) | 154,912 | (97,111) | 79,461 |
| Other comprehensive income/(expense): | | | | | |
| <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) | | (194,302) | (137,004) | (174,588) | 38,198 |
| Cost of hedging reserve (net of tax) | | 44,125 | 22,064 | (63,585) | 20,103 |
| | | (150,177) | (114,940) | (238,173) | 58,301 |
| Total comprehensive income/(expense) for the financial period | | (204,220) | 39,972 | (335,284) | 137,762 |
| Earnings per share: | | | | | |
| - basic/diluted (sen) | A9 | (18.01) | 51.64 | (32.37) | 26.49 |

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

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

Condensed Statement of Financial Position

| | Note | Unaudited As at <u>30.09.2021</u> RM'000 | Audited As at <u>31.12.2020</u> RM'000 |
|---|------|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 1,961,328 | 1,994,188 |
| Intangible assets | | 10,475 | 12,444 |
| Right-of-use assets | | 17,810 | 23,444 |
| | | <u>1,989,613</u> | <u>2,030,076</u> |
| CURRENT ASSETS | | | |
| Inventories | | 1,213,544 | 1,051,689 |
| Trade receivables | | 909,410 | 513,451 |
| Other receivables and prepayments | | 77,092 | 28,311 |
| Tax recoverable | | 3,051 | 2,994 |
| Derivative financial assets | A18 | 13,612 | 135,180 |
| Bank balances | | 286,262 | 737,198 |
| | | <u>2,502,971</u> | <u>2,468,823</u> |
| TOTAL ASSETS | | <u>4,492,584</u> | <u>4,498,899</u> |
| CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY | | | |
| Share capital | | 300,000 | 300,000 |
| Retained earnings | | 1,840,816 | 1,949,927 |
| Cash flow hedge reserve | | (125,036) | 49,552 |
| Cost of hedging reserve | | (65,795) | (2,210) |
| Exchange translation reserve | | (128,888) | (128,888) |
| | | <u>1,821,097</u> | <u>2,168,381</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 1,227,800 | 1,308,516 |
| Amount due to related companies | | 12,966 | 14,317 |
| Lease liabilities | | 7,978 | 7,722 |
| Derivative financial liabilities | A18 | 140,875 | 53,638 |
| Borrowings | A19 | 761,779 | 250,689 |
| | | <u>2,151,398</u> | <u>1,634,882</u> |
| NON-CURRENT LIABILITIES | | | |
| Derivative financial liabilities | A18 | 135,385 | 15,886 |
| Lease liabilities | | 9,758 | 15,796 |
| Borrowings | A19 | 340,705 | 549,118 |
| Deferred tax liabilities | | 34,241 | 114,836 |
| | | <u>520,089</u> | <u>695,636</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>4,492,584</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

Registration No. 196001000259 (3926-U)

(Incorporated in Malaysia)

Condensed Statement of Changes in Equity

| | Issued and fully paid ordinary shares | | Non-distributable | | | Distributable | Total 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 loss for the financial period | - | - | - | - | - | (97,111) | (97,111) |
| Other comprehensive income/ (expense) for the financial period | - | - | (174,588) | (63,585) | - | - | (238,173) |
| Total comprehensive income/ (expense) for the financial period | - | - | (174,588) | (63,585) | - | (97,111) | (335,284) |
| Transaction with owners | | | | | | | |
| Dividends paid | - | - | - | - | - | (12,000) | (12,000) |
| Total transaction with owners | - | - | - | - | - | (12,000) | (12,000) |
| At 30 September 2021 | 300,000 | 300,000 | (125,036) | (65,795) | (128,888) | 1,840,816 | 1,821,097 |
| 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 | - | - | - | - | - | 79,461 | 79,461 |
| Other comprehensive income/ (expense) for the financial period | - | - | 38,198 | 20,103 | - | - | 58,301 |
| Total comprehensive income/ (expense) for the financial period | - | - | 38,198 | 20,103 | - | 79,461 | 137,762 |
| At 30 September 2020 | 300,000 | 300,000 | 213,544 | (13,956) | (128,888) | 1,778,405 | 2,149,105 |

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

Condensed Statement of Cash Flows

| | Note | Cumulative period ended | |
|---|------------|-----------------------------------|-----------------------------------|
| | | Unaudited 30.09.2021 RM'000 | Unaudited 30.09.2020 RM'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| (Loss)/Profit before taxation | | (102,495) | 28,631 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | | 82,213 | 81,560 |
| Depreciation of right-of-use assets | | 5,634 | 5,640 |
| Amortisation of intangible assets | | 2,011 | 1,823 |
| Inventories written down | | 14,687 | - |
| Provision for impairment of receivables | | 318 | 26,199 |
| Property, plant and equipment written off | | - | 80 |
| Amortisation of term loan commitment fees | | 133 | 163 |
| Interest expense | | 16,200 | 18,701 |
| Interest income | | (3,645) | (4,917) |
| Net fair value loss/(gain) on derivative financial instruments-unrealised | | 15,426 | (17,379) |
| Net foreign exchange loss-unrealised | | 45,900 | 25,545 |
| Operating profit before changes in working capital | | <u>76,382</u> | <u>166,046</u> |
| Changes in working capital: | | | |
| Inventories | | (176,542) | 418,733 |
| Trade, other receivables and amount due from related companies | | (441,491) | 26,919 |
| Trade, other payables and amount due to related companies | | (8,354) | (851,587) |
| Cash used in operating activities | | <u>(550,005)</u> | <u>(239,889)</u> |
| Interest received | | 3,645 | 4,917 |
| Tax paid | | (57) | (161) |
| Net cash flows used in operating activities | | <u>(546,417)</u> | <u>(235,133)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | | (132,298) | (122,030) |
| Purchase of intangible assets | | (42) | (949) |
| Net cash flows used in investing activities | | <u>(132,340)</u> | <u>(122,979)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Repayment of borrowings | | (1,065,901) | (1,257,010) |
| Proceeds from borrowings | | 1,331,254 | 753,199 |
| Interest paid | | (23,776) | (35,771) |
| Repayment of lease liabilities | | (6,292) | (6,277) |
| Dividends paid | | (12,000) | - |
| Restricted cash for term loan facilities | | 12,420 | 73,141 |
| Net cash flows generated from/(used in) financing activities | | <u>235,705</u> | <u>(472,718)</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | (443,052) | (830,830) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | | 683,843 | 1,036,788 |
| EFFECTS OF EXCHANGE RATE CHANGES | | 4,536 | 10,650 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | A21 | <u>245,327</u> | <u>216,608</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 which became effective on 1 January 2021:

(a) Amendments to published standards that are effective for financial periods beginning on or after 1 January 2021

- Amendments to MFRS 9, 139 & 7 – Interest Rate Benchmark Reform - Phase 2

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 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)



HENGYUAN REFINING COMPANY BERHAD

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

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

A1 Basis of preparation (continued)

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

- 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)
- Amendments to MFRS 112 – Income Taxes (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.

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 qualification.

A3 Comments about seasonal or cyclical factors

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

A4 Significant events and transactions

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

A5 Critical accounting estimates and judgments

There were no changes in estimates of amounts reported in prior periods that had a material effect in the current quarter and period ended 30 September 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 and period ended 30 September 2021.



HENGYUAN REFINING COMPANY BERHAD
Registration No. 196001000259 (3926-U)
(Incorporated in Malaysia)

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

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>30.09.2021</u> | <u>30.09.2020</u> | <u>30.09.2021</u> | <u>30.09.2020</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Sale of oil products | | | | |
| - Refined | 3,151,909 | 1,587,824 | 7,833,151 | 5,350,284 |
| - Crude oil | 98,089 | 315 | 116,249 | 1,015 |
| | <u>3,249,998</u> | <u>1,588,139</u> | <u>7,949,400</u> | <u>5,351,299</u> |

A9 Earnings per share

| | Quarter ended | | Cumulative period ended | |
|--|--------------------------|--------------------------|--------------------------------|--------------------------|
| | <u>30.09.2021</u> | <u>30.09.2020</u> | <u>30.09.2021</u> | <u>30.09.2020</u> |
| Net (loss)/profit for the period (RM'000) | (54,043) | 154,912 | (97,111) | 79,461 |
| Weighted average number of ordinary shares in issue ('000) | 300,000 | 300,000 | 300,000 | 300,000 |
| Basic/diluted earnings per share (sen) | (18.01) | 51.64 | (32.37) | 26.49 |



HENGYUAN REFINING COMPANY BERHAD
 Registration No. 196001000259 (3926-U)
 (Incorporated in Malaysia)

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

A10 Profit/(loss) before taxation

| | Quarter ended | | Cumulative period ended | |
|--|-------------------|-------------------|-------------------------|-------------------|
| | <u>30.09.2021</u> | <u>30.09.2020</u> | <u>30.09.2021</u> | <u>30.09.2020</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| <i>The profit/(loss) before taxation is arrived at after (crediting)/charging:</i> | | | | |
| Interest income | (872) | (1,495) | (3,645) | (4,917) |
| Liquidated damages | (3,609) | - | (18,327) | - |
| Insurance claims | (3,400) | - | (3,400) | - |
| Amortisation of term loan commitment fees | 45 | 75 | 133 | 163 |
| Interest expense | 6,867 | 4,759 | 16,200 | 18,701 |
| Depreciation of property, plant and equipment | 27,668 | 27,076 | 82,213 | 81,560 |
| Depreciation of right-of-use assets | 1,878 | 1,878 | 5,634 | 5,640 |
| Amortisation of intangible assets | 672 | 621 | 2,011 | 1,823 |
| Write-off of property, plant and equipment | - | - | - | 80 |
| Inventories written down | 1,058 | - | 14,687 | - |
| Provision for impairment of receivables | - | - | 318 | 26,199 |
| Foreign exchange loss/(gain)- realised | 14,163 | (15,630) | 16,036 | 5,024 |
| Foreign exchange loss/(gain)- unrealised | 4,472 | (20,846) | 45,900 | 25,545 |
| Fair value loss/(gain) on derivative financial instruments | 133,506 | (165,507) | 471,258 | (924,175) |

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.



HENGYUAN REFINING COMPANY BERHAD
 Registration No. 196001000259 (3926-U)
 (Incorporated in Malaysia)

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>30.09.2021</u> | <u>30.09.2020</u> | <u>30.09.2021</u> | <u>30.09.2020</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>Malaysian Tax</u> | | | | |
| Current tax | - | - | - | - |
| Deferred tax | (1,561) | (2,899) | (5,384) | (50,830) |
| | <u>(1,561)</u> | <u>(2,899)</u> | <u>(5,384)</u> | <u>(50,830)</u> |

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

| | Quarter ended | | Cumulative period ended | |
|---|--------------------------|--------------------------|--------------------------------|--------------------------|
| | <u>30.09.2021</u> | <u>30.09.2020</u> | <u>30.09.2021</u> | <u>30.09.2020</u> |
| | % | % | % | % |
| Applicable tax rate | (24) | 24 | (24) | 24 |
| Tax effects in respect of: | | | | |
| - Expenses not deductible for tax purpose | 3 | 14 | 9 | 33 |
| - (Income not taxable)/ expenses not deductible due to difference between functional and tax reporting currency | - | - | - | (26) |
| - Utilisation of reinvestment allowance previously not recognized | - | (3) | - | (13) |
| - Utilisation of prior year tax losses previously not recognised | - | (37) | - | (195) |
| - Under accrual in prior year | 18 | - | 10 | - |
| | <u>(3)</u> | <u>(2)</u> | <u>(5)</u> | <u>(177)</u> |



HENGYUAN REFINING COMPANY BERHAD

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

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

A12 Dividends

The Company did not declare any dividend for the current quarter and period ended 30 September 2021.

On 15 April 2021, the Company paid 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.

A13 Changes in the composition of the Company

There were no changes in the composition of the Company in the current quarter and period ended 30 September 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 30 September 2021.

A16 Material litigation

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



HENGYUAN REFINING COMPANY BERHAD
Registration No. 196001000259 (3926-U)
(Incorporated in Malaysia)

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 30 September 2021 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 of the Company approximated their fair values as at 30 September 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).



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 (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>30.09.2021</u> | | | |
| Forward foreign currency contracts | 21,000 | 385 | - |
| Commodity swap contracts | 287,272 | - | (12,614) |
| Commodity options | 7,974 | 10,137 | (7,045) |
| Refining margin swap contracts | 294,319 | 3,090 | (247,183) |
| Interest rate swap contracts | 71,875 | - | (9,418) |
| | <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 | 56,185 | (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.



HENGYUAN REFINING COMPANY BERHAD
Registration No. 196001000259 (3926-U)
(Incorporated in Malaysia)

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 30.09.2021 RM'000 | As at 31.12.2020 RM'000 |
|---|--|--|
| <u>Secured</u> | | |
| Term loans and revolving credits and overdrafts | 1,102,484 | 799,807 |
| Less: Amount repayable within 12 months | (761,779) | (250,689) |
| Amount repayable after 12 months | 340,705 | 549,118 |
| | | |
| Currency profile of borrowings: | | |
| - USD | 1,102,484 | 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.



HENGYUAN REFINING COMPANY BERHAD
Registration No. 196001000259 (3926-U)
(Incorporated in Malaysia)

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 | 1,331,254 | 753,199 |
| Repayment of borrowings (includes interest paid) | (1,080,603) | (1,284,206) |
| Non-cash changes: | | |
| - Interest accrued | 14,642 | 24,245 |
| - Amortisation of term loan commitment fees | 133 | 163 |
| - Unrealised foreign exchange loss/(gain) | 37,251 | 23,949 |
| As at | 1,102,484 | - |
| - 30 September 2021 | 1,102,484 | - |
| - 30 September 2020 | - | 899,263 |

(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 | (6,292) | (6,277) |
| Non-cash changes: | | |
| - New lease liabilities recognised | - | 119 |
| - Interest accrued | 510 | 765 |
| As at | 17,736 | - |
| - 30 September 2021 | 17,736 | - |
| - 30 September 2020 | - | 25,364 |



HENGYUAN REFINING COMPANY BERHAD
Registration No. 196001000259 (3926-U)
(Incorporated in Malaysia)

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

A21 Cash and cash equivalents

| | As at 30.09.2021 RM'000 | As at 30.09.2020 RM'000 |
|--|--|--|
| Cash and cash equivalents comprise of: | | |
| Bank balances | 286,262 | 242,045 |
| Less: Restricted cash | (40,935) | (25,437) |
| | 245,327 | 216,608 |

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 30 September 2021 are as follows:

| | As at 30.09.2021 RM'000 | As at 31.12.2020 RM'000 |
|--------------------------------------|--|--|
| Property, plant and equipment | | |
| Approved and contracted for | 169,265 | 185,135 |
| Approved but not contracted for | 95,377 | 97,076 |

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.



HENGYUAN REFINING COMPANY BERHAD
 Registration No. 196001000259 (3926-U)
 (Incorporated in Malaysia)

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 ended | | Financial period ended | |
|---|-------------------|-------------------|------------------------|-------------------|
| | <u>30.09.2021</u> | <u>30.09.2020</u> | <u>30.09.2021</u> | <u>30.09.2020</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Transactions with immediate holding company | | | | |
| - Sale of refined products | - | 24,461 | - | 274,791 |
| - Purchase of refined products | - | (8,473) | (2,397) | (55,584) |
| - Central management and administrative charges | (13) | - | (38) | - |
| Transactions with an affiliated company | | | | |
| - Central management and administrative charges | (2,897) | (2,238) | (7,456) | (5,378) |
| - Technical advisory support | (5,076) | (6,401) | (15,723) | (19,780) |



HENGYUAN REFINING COMPANY BERHAD

Registration No. 196001000259 (3926-U)

(Incorporated in Malaysia)

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>30.09.2021</u> | <u>30.09.2020</u> | Variance | | <u>30.09.2021</u> | <u>30.09.2020</u> | Variance | |
| | RM'mil | RM'mil | RM'mil | % | RM'mil | RM'mil | RM'mil | % |
| Revenue | 3,250 | 1,588 | 1,662 | >100 | 7,949 | 5,351 | 2,598 | 49 |
| Gross profit plus the fair value changes in oil hedges recognised within other gains/(losses) (Loss)/profit after taxation | 56 | 216 | (160) | -74 | 241 | 388 | (147) | -38 |
| | (54) | 155 | (209) | >-100 | (97) | 79 | (176) | >-100 |

The Company recorded higher revenue in the current quarter and cumulative period ended 30 September 2021, against corresponding periods last year. Market quoted product prices in the current quarter and 9-months period averaged at USD82 per barrel and USD74 per barrel respectively, higher than the average price of USD43 per barrel and USD41 per barrel in the respective comparative periods. The refinery recorded sales volumes of 9.5 million barrels and 25.6 million barrels for the current quarter and cumulative periods compared to last year's sales volumes of 8 million barrels and 26.1 million barrels respectively due to improved product cracks and better crude processing margin, with oil demand picking up amid the improved Covid-19 situation across many countries.

The Company's refining margin improved compared to both comparative quarter and cumulative period mainly contributed by better cracks reported for Mogas, Gasoil and JetA1. However, the current quarter's gross profit is lower compared to the comparative quarter due to settlement of crack and commodity swaps. For the current cumulative period, the stockholding gains are negated by such settlements, whereas the previous comparative cumulative period was adversely affected by stockholding losses.

Manufacturing expenses were lower compared to both comparative quarter and cumulative period as a result from on-going cost optimisation initiatives offset with higher finance costs. The Company recorded a net foreign currency exchange loss of RM18.6 million in the current quarter with mitigation efforts to minimise fluctuation exposure of Ringgit Malaysia against the US Dollar via foreign currency hedging.

The disproportionate tax charge in the current quarter and cumulative period were mainly due to certain expenses being disallowed for tax purposes and under-accruals of tax in prior year. The comparative periods include recognition of deferred tax assets on tax losses previously not recognised.



HENGYUAN REFINING COMPANY BERHAD

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

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

B2 Financial review for current quarter compared with immediately preceding quarter

| | <u>30.09.2021</u> | <u>Quarter ended</u> <u>30.06.2021</u> | <u>Variance</u> | |
|---|-------------------|---|-----------------|----------------|
| | RM'mil | RM'mil | RM'mil | % |
| Revenue | 3,250 | 2,501 | 749 | 30 |
| Gross profit plus the fair value changes in oil hedges recognised within other gains/(losses) | 56 | 21 | 35 | >100 |
| Loss after taxation | (54) | (59) | 5 | (8) |

Local demand increased after the lifting of movement control by the government, resulting in revenue increase of 30%, with the increase in sales volume by 12.5% and higher product price compared to the previous quarter. This also increased the gross profit in Q3 compared to Q2. However, the company closed the current quarter with an after-tax loss of RM54 million as compared to RM59 million in previous quarter due to the increase of forex losses caused by the strengthening of USD in the quarter, and under accrual of tax in the prior year.

B3 Current year prospects

Global oil demand is expected to increase as the world is slowly recovering from the pandemic but still with uncertainties as Covid-19 cases may resurge during winter time. Despite the surging demand, the oil industry remains challenging with OPEC+ members' decision to remain cautious on oversupplying the global oil market. The Company maintains cautiously optimistic on the overall market outlook and will continue to focus on operational efficiency, product quality, hydrocarbon hedging and financial risk management to optimise the Company's performance. In addition, the Company will also continue its battle against Covid-19 risks by implementing rigorous safety management measures.



HENGYUAN REFINING COMPANY BERHAD
Registration No. 196001000259 (3926-U)
(Incorporated in Malaysia)

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

B4 Status of Project Euro 4M Mogas

Due to the Covid-19 outbreak and consequent international lockdowns, the Euro 4 Mogas project is expected to be completed in the first quarter of 2022. 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
26 November 2021