



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 29 November 2022, the Board hereby announces its unaudited financial results for the third quarter ended 30 September 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 30.09.2022 RM'000	Unaudited quarter ended 30.09.2021 RM'000	Unaudited Cumulative 30.09.2022 RM'000	Unaudited period ended 30.09.2021 RM'000
Revenue	A8	5,030,795	3,249,998	16,878,213	7,949,400
Purchases		(5,751,607)	(3,082,358)	(16,177,423)	(7,174,628)
Gross (loss)/profit		(720,812)	167,640	700,790	774,772
Other income		12,267	7,881	26,784	25,372
Manufacturing expenses		(51,462)	(50,149)	(143,807)	(159,865)
Administrative expenses		(16,855)	(14,152)	(62,954)	(41,442)
Depreciation and amortisation		(28,523)	(30,218)	(80,698)	(89,858)
Other operating losses		(73,569)	(129,694)	(320,268)	(595,141)
Finance cost		(15,187)	(6,912)	(31,453)	(16,333)
(Loss)/Profit before taxation	A10	(894,141)	(55,604)	88,394	(102,495)
Taxation	A11	253,662	1,561	(13,932)	5,384
(Loss)/Profit after taxation		(640,479)	(54,043)	74,462	(97,111)
Other comprehensive (expense)/income:					
<i>Items that will be reclassified to profit or loss:</i>					
Cash flow hedge – net fair value loss on derivatives used for hedging (net of tax)		(249,672)	(194,302)	(716,315)	(174,588)
Cost of hedging reserve (net of tax)		672,135	44,125	(51,753)	(63,585)
		422,463	(150,177)	(768,068)	(238,173)
Total comprehensive expense for the financial period		(218,016)	(204,220)	(693,606)	(335,284)
(Loss)/Earnings per share:					
- basic/diluted (sen)	A9	(213.49)	(18.01)	24.82	(32.37)

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



HENGYUAN REFINING COMPANY BERHAD

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Condensed Statement of Financial Position

	Note	Unaudited As at <u>30.09.2022</u> RM'000	Audited As at <u>31.12.2021</u> RM'000
NON-CURRENT ASSETS			
Property, plant and equipment		2,053,065	2,008,877
Intangible assets		8,055	9,802
Right-of-use assets		10,720	16,340
Derivative financial assets	A18	7,597	19
Deferred tax assets		132,938	-
		<u>2,212,375</u>	<u>2,035,038</u>
CURRENT ASSETS			
Inventories		1,888,752	1,572,571
Trade receivables	A19	1,080,254	1,027,713
Other receivables and prepayments		894,581	133,518
Tax recoverable		10,047	3,051
Derivative financial assets	A18	160,585	21,235
Bank balances		581,066	690,005
		<u>4,615,285</u>	<u>3,448,093</u>
TOTAL ASSETS		<u>6,827,660</u>	<u>5,483,131</u>
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		300,000	300,000
Retained earnings		2,065,061	2,020,599
Cash flow hedge reserve		(793,378)	(77,063)
Cost of hedging reserve		(114,431)	(62,678)
Exchange translation reserve		(128,888)	(128,888)
		<u>1,328,364</u>	<u>2,051,970</u>
CURRENT LIABILITIES			
Trade and other payables		3,040,070	2,272,212
Amount due to immediate holding company and related company		11,831	11,687
Lease liabilities		8,141	7,996
Contract liabilities		-	4,628
Derivative financial liabilities	A18	932,256	131,183
Borrowings	A20	1,155,250	478,057
		<u>5,147,548</u>	<u>2,905,763</u>
NON-CURRENT LIABILITIES			
Derivative financial liabilities	A18	349,796	96,264
Lease liabilities		1,952	8,105
Borrowings	A20	-	320,240
Deferred tax liabilities		-	100,789
		<u>351,748</u>	<u>525,398</u>
TOTAL EQUITY AND LIABILITIES		<u>6,827,660</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	-	-	-	-	-	74,462	74,462
Other comprehensive expense for the financial period	-	-	(716,315)	(51,753)	-	-	(768,068)
Total comprehensive (expense)/income for the financial period	-	-	(716,315)	(51,753)	-	74,462	(693,606)
<u>Transaction with owners</u>							
Dividends payable	-	-	-	-	-	(30,000)	(30,000)
Total transaction with owners	-	-	-	-	-	(30,000)	(30,000)
At 30 September 2022	300,000	300,000	(793,378)	(114,431)	(128,888)	2,065,061	1,328,364

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.



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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	
<u>Unaudited</u>							
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 expense for the financial period	-	-	(174,588)	(63,585)	-	-	(238,173)
Total comprehensive expense for the financial period	-	-	(174,588)	(63,585)	-	(97,111)	(335,284)
<u>Transaction with owners</u>							
Dividends paid	-	-	-	-	-	(12,000)	(12,000)
Total transaction with owners	-	-	-	-	-	(12,000)	(12,000)
At 30 September 2021	<u>300,000</u>	<u>300,000</u>	<u>(125,036)</u>	<u>(65,795)</u>	<u>(128,888)</u>	<u>1,840,816</u>	<u>1,821,097</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 30.09.2022 RM'000	Unaudited 30.09.2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) before taxation		88,394	(102,495)
Adjustments for:			
Depreciation of property, plant and equipment		73,041	82,213
Depreciation of right-of-use assets		5,620	5,634
Amortisation of intangible assets		2,037	2,011
Inventories written down		148,778	14,687
Impairment of receivables		1,597	318
Impairment of plant and equipment		12,108	-
Amortisation of upfront and commitment fees for borrowings		978	133
Interest expense		30,475	16,200
Interest income		(10,632)	(3,645)
Net fair value (gain)/loss on derivative financial instruments – unrealised		(100,946)	15,426
Net foreign exchange loss – unrealised		67,083	45,900
Operating profit before changes in working capital		318,533	76,382
Changes in working capital:			
Inventories		(464,959)	(176,542)
Trade and other receivables		(805,794)	(441,491)
Trade, other payables and amount due to immediate holding company and related company		743,439	(8,354)
Cash used in operating activities		(208,781)	(550,005)
Interest received		10,632	3,645
Tax paid		(12,171)	(57)
Net cash flows used in operating activities		(210,320)	(546,417)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(115,524)	(132,298)
Purchase of intangible assets		(290)	(42)
Net cash flows used in investing activities		(115,814)	(132,340)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(1,035,054)	(1,065,901)
Proceeds from borrowings		1,270,076	1,331,254
Interest paid		(40,614)	(23,776)
Repayment of principal portion of lease liabilities		(6,008)	(6,292)
Dividends paid	A12	-	(12,000)
Restricted cash for revolving credit and term loan facilities		90,596	12,420
Net cash flows generated from financing activities		278,996	235,705
NET DECREASE IN CASH AND CASH EQUIVALENTS		(47,138)	(443,052)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		584,536	683,843
EFFECTS OF EXCHANGE RATE CHANGES		28,795	4,536
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	A22	566,193	245,327

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 MFRS 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)
- Amendments to MFRS 16 – Lease Liability in a Sale and Leaseback (effective on or after 1 January 2024)

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 September 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 September 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>30.09.2022</u>	<u>30.09.2021</u>	<u>30.09.2022</u>	<u>30.09.2021</u>
	RM'000	RM'000	RM'000	RM'000
Sale of oil products				
- Refined	4,957,533	3,151,909	16,803,360	7,833,151
- Crude oil	73,262	98,089	74,853	116,249
	<u>5,030,795</u>	<u>3,249,998</u>	<u>16,878,213</u>	<u>7,949,400</u>



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

A9 (Loss)/Earnings per share

	Quarter ended		Cumulative period ended	
	<u>30.09.2022</u>	<u>30.09.2021</u>	<u>30.09.2022</u>	<u>30.09.2021</u>
Net (loss)/profit for the period (RM'000)	(640,479)	(54,043)	74,462	(97,111)
Weighted average number of ordinary shares in issue ('000)	300,000	300,000	300,000	300,000
Basic/diluted (loss)/earnings per share (sen)	(213.49)	(18.01)	24.82	(32.37)

A10 (Loss)/Profit before taxation

	Quarter ended		Cumulative period ended	
	<u>30.09.2022</u> RM'000	<u>30.09.2021</u> RM'000	<u>30.09.2022</u> RM'000	<u>30.09.2021</u> RM'000
<i>The (loss)/profit before taxation is arrived at after (crediting)/charging:</i>				
Interest income	(8,744)	(872)	(10,632)	(3,645)
Liquidated damages	(3,523)	(3,609)	(15,202)	(18,327)
Insurance claims	-	(3,400)	(950)	(3,400)
Amortisation of upfront and commitment fees for borrowings	890	45	978	133
Interest expense	14,297	6,867	30,475	16,200
Depreciation of property, plant and equipment	25,990	27,668	73,041	82,213
Depreciation of right-of-use assets	1,846	1,878	5,620	5,634
Amortisation of intangible assets	687	672	2,037	2,011
Impairment of plant and equipment	-	-	12,108	-
Inventories written down	70,045	1,058	148,778	14,687
Impairment of receivables	-	-	1,597	318
Foreign exchange loss – realised	23,422	14,163	72,875	16,036
Foreign exchange loss – unrealised	21,169	4,472	67,083	45,900
Fair value loss on derivative financial instruments	364,570	133,506	1,235,534	471,258

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	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000
<u>Malaysian tax</u>				
Current tax	(198,792)	-	5,175	-
Deferred tax	(54,870)	(1,561)	8,757	(5,384)
	<u>(253,662)</u>	<u>(1,561)</u>	<u>13,932</u>	<u>(5,384)</u>

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

	Quarter ended		Cumulative period ended	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	%	%	%	%
Applicable tax rate	(24)	(24)	24	(24)
Tax effects in respect of:				
- Expenses not deductible for tax purposes	1	3	37	9
- Effects of increase in income tax rate	(5)	-	-	-
- Effects of recognition of reinvestment allowance	-	-	(44)	-
- Underprovisions in prior years	-	18	(1)	10
	<u>(28)</u>	<u>(3)</u>	<u>16</u>	<u>(5)</u>

A12 Dividend

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, totalling RM30,000,000. The dividend was paid on 25 October 2022.

The Company did not declare any dividend for the current quarter under review for the financial year ending 31 December 2022.



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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 September 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 which was not completed as of 22 November 2022 (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 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 September 2022 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 September 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>30.09.2022</u>			
Forward foreign currency contracts	131,000	7,778	(70)
Forward priced commodity contracts	35,768	543	(15,599)
Commodity swap contracts	45,993	-	(9,014)
Commodity options contracts	-	-	-
Refining margin swap contracts	287,384	159,473	(1,257,369)
Interest rate swap contracts	<u>34,375</u>	<u>388</u>	<u>-</u>
<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	<u>71,875</u>	<u>-</u>	<u>(6,619)</u>

During the current quarter ended 30 September 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.



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

A19 Trade receivables

	As at 30.09.2022	As at 31.12.2021
	RM'000	RM'000
Current	1,078,837	1,012,356
1 to 30 days past due	28	14,220
31 to 180 days past due	714	-
More than 180 days past due	2,272	26,958
	1,081,851	1,053,534
Less: Impairment of receivables	(1,597)	(25,821)
	1,080,254	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.



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

A20 Borrowings

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

	As at 30.09.2022 RM'000	As at 31.12.2021 RM'000
<u>Secured</u>		
Term loans, revolving credits and overdrafts	1,155,250	798,297
Less: Amount repayable within 12 months	(1,155,250)	(478,057)
Amount repayable after 12 months	-	320,240
Currency profile of borrowings:		
- USD	1,155,250	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 September 2022, the Company had current borrowings of RM1,155.3 million. On 12 September 2022, the Company had announced the execution of its refinancing plan via an undertaking of a refinancing programme on its existing borrowings through an unrated medium term notes of up to RM5.0 billion in nominal value ("MTN programme") over a tenure of 30 years, to be issued via bought deal or private placement, and a multi-currency revolving credit ("RC") facilities comprising of (i) USD RC facility of up to USD235.0 million and (ii) MYR RC facility of up to RM250.0 million (the "RC Facilities") offered by Ambank (M) Berhad, China Construction Bank Corporation, Labuan Branch and Malayan Banking Berhad. The refinancing programme was subsequently completed during October 2022 accordingly. The proceeds for the refinancing will enable the Company to meet its working capital requirements in addition to the repayment of the borrowings as and when due for the next twelve months from the reporting date.



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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 2022	798,297	-
- 1 January 2021	-	799,807
Proceeds from borrowings	1,270,076	1,331,254
Repayment of borrowings (includes interest paid)	(1,062,074)	(1,080,603)
Non-cash changes:		
- Interest accrued	28,325	14,642
- Amortisation of upfront and commitment fees for borrowings	978	133
- Unrealised foreign exchange loss	119,648	37,251
As at		
- 30 September 2022	1,155,250	-
- 30 September 2021	-	1,102,484

(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	(6,279)	(6,292)
Non-cash changes:		
- Interest expenses	271	510
As at		
- 30 September 2022	10,093	-
- 30 September 2021	-	17,736



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

A22 Cash and cash equivalents

	As at <u>30.09.2022</u> RM'000	As at <u>30.09.2021</u> RM'000
<u>Cash and cash equivalents comprise of:</u>		
Bank balances	581,066	286,262
Less: Restricted cash	<u>(14,873)</u>	<u>(40,935)</u>
	<u>566,193</u>	<u>245,327</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 <u>30.09.2022</u> RM'000	As at <u>31.12.2021</u> RM'000
<u>Plant and equipment</u>		
Approved and contracted for	30,979	117,670
Approved but not contracted for	<u>77,546</u>	<u>93,588</u>

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.



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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>30.09.2022</u>	<u>30.09.2021</u>	<u>30.09.2022</u>	<u>30.09.2021</u>
	RM'000	RM'000	RM'000	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>(1,138)</u>	<u>(13)</u>	<u>(1,741)</u>	<u>(38)</u>
Transactions with an affiliated company				
- Central management and administrative charges	<u>(2,256)</u>	<u>(2,897)</u>	<u>(7,177)</u>	<u>(7,456)</u>
- Technical advisory support	<u>(4,991)</u>	<u>(5,076)</u>	<u>(14,810)</u>	<u>(15,723)</u>
- Rental of premises	<u>(29)</u>	<u>-</u>	<u>(91)</u>	<u>-</u>
Transactions with penultimate holding company				
- Technical consultancy and project support services	<u>(923)</u>	<u>-</u>	<u>(923)</u>	<u>-</u>



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Part B: Additional information Required by Bursa Malaysia Listing Requirements

B1 Financial review for current quarter and financial period

	Quarter ended				Cumulative period ended			
	<u>30.09.2022</u> RM'mil	<u>30.09.2021</u> RM'mil	Variance RM'mil	%	<u>30.09.2022</u> RM'mil	<u>30.09.2021</u> RM'mil	Variance RM'mil	%
Revenue	5,031	3,250	1,781	55	16,878	7,949	8,929	>100
Gross (loss)/ profit plus fair value changes in oil hedges recognised within other operating (losses)/gains	(756)	56	(812)	>-100	513	241	272	>100
(Loss)/Profit after taxation	(640)	(54)	(586)	>-100	74	(97)	171	>100

The rise in revenue for the current quarter (“3Q 2022”) was supported by a 51% surge in the market product prices at an average price of USD124 per barrel as compared to USD82 per barrel in the corresponding period in 2021. Sales volume in 3Q 2022 was comparable to the corresponding period in 2021. Sales volume in 3Q 2022 was affected by production downtime, while sales volume in 3Q 2021 was a result of low activities during Movement Control Order (“MCO”) period.

The significant revenue growth for the cumulative period (“YTD 2022”) was driven by higher product prices and sales volume compared to YTD 2021. Market product prices rose by 76% to an average price of USD130 per barrel in YTD 2022 as compared to USD74 per barrel in YTD 2021. A 20% increase in sales volume was contributed by stronger market demand as compared to the corresponding period in 2021.

The recorded loss of RM756mil for 3Q 2022 was attributable to adverse refining margin as compared to a more favourable refining margin during 3Q 2021. Adverse refining margin was mainly affected by sharp reduction in cracks especially for Mogas, coupled with higher crude premium incurred as well as higher stockholding losses due to significant drop in product prices during the quarter. These factors led to a net loss for 3Q 2022.

Meanwhile, YTD 2022 yielded better results against YTD 2021. This was contributed by stronger refining margin during the first two quarters, which helped to cushion the adverse impact in 3Q 2022.

The Company’s YTD 2022 net profitability was squeezed by both higher foreign exchange losses and higher finance cost as compared to YTD 2021. Higher foreign exchange losses arose from the strengthening of USD against RM by 11%, while finance cost almost doubled due to aggressive interest rate hike.



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

B2 Financial review for current quarter compared with immediate preceding quarter

	<u>30.09.2022</u>	<u>30.06.2022</u>	Variance	
	RM'mil	RM'mil	RM'mil	%
Revenue	5,031	6,894	(1,863)	-27
Gross (loss)/profit plus fair value changes in oil hedges recognised within other operating (losses)/gains	(756)	1,089	(1,845)	>-100
(Loss)/Profit after taxation	(640)	667	(1,307)	>-100

Revenue decreased by 27% for the quarter under review as a result of an adverse movement in product prices by 18% and a drop in sales volume by 14% due to production downtime.

Squeeze in the refining margin arose from production downtime, sharp reduction in cracks especially for Mogas and higher crude premium recorded for the quarter. This was further exacerbated by stockholding losses during 3Q 2022.

B3 Current year prospects

Uncertainties in the global market continue to cause turbulence to the industry. Oil price volatility may persist as the market sentiments are affected by the ongoing geopolitical tensions and global recession fears, coupled with the production output cut by the Organisation of the Petroleum Exporting Countries (OPEC) members.

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 before the end of 2022.



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

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
29 November 2022