



HENGYUAN REFINING COMPANY BERHAD

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

In accordance with the approval of the Board of Directors of Hengyuan Refining Company Berhad (“the Company”) dated 28 November 2023, the Board hereby announces its unaudited financial results for the third quarter ended 30 September 2023.

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 2022.



HENGYUAN REFINING COMPANY BERHAD

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

Condensed Statement of Comprehensive Income

	Note	Unaudited Individual quarter ended <u>30.09.2023</u> RM'000	Unaudited quarter ended <u>30.09.2022</u> RM'000	Unaudited Cumulative period ended <u>30.09.2023</u> RM'000	Unaudited period ended <u>30.09.2022</u> RM'000
Revenue	A8	2,456,414	5,030,795	10,379,975	16,878,213
Purchases		(2,327,037)	(5,751,607)	(10,262,090)	(16,177,423)
Gross profit/(loss)		129,377	(720,812)	117,885	700,790
Other income		12,570	12,267	22,924	26,784
Manufacturing expenses		(60,250)	(51,462)	(154,336)	(143,807)
Administrative expenses		(14,350)	(16,855)	(48,918)	(62,954)
Depreciation and amortisation		(34,613)	(28,523)	(105,088)	(80,698)
Other operating gains/(losses)		11,286	(73,569)	(9,980)	(320,268)
Finance cost		(24,301)	(15,187)	(78,889)	(31,453)
Profit/(Loss) before taxation	A10	19,719	(894,141)	(256,402)	88,394
Taxation	A11	(17,591)	253,662	42,479	(13,932)
Profit/(Loss) after taxation		2,128	(640,479)	(213,923)	74,462
Other comprehensive (expenses)/income:					
<i>Items that will be reclassified to profit or loss:</i>					
Cash flow hedge – net fair value (loss)/gain on derivatives used for hedging (net of tax)		(252,185)	(249,672)	204,357	(716,315)
Cost of hedging reserve (net of tax)		20,898	672,135	(13,277)	(51,753)
		(231,287)	422,463	191,080	(768,068)
Total comprehensive (expenses)/income for the financial period		(229,159)	(218,016)	(22,843)	(693,606)
Earnings/(Loss) per share:					
- basic/diluted (sen)	A9	0.71	(213.49)	(71.31)	24.82

The above Condensed Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying supplementary notes to these condensed financial statements.



HENGYUAN REFINING COMPANY BERHAD

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

	Note	Unaudited As at <u>30.09.2023</u> RM'000	Audited As at <u>31.12.2022</u> RM'000
NON-CURRENT ASSETS			
Property, plant and equipment		2,224,220	2,055,220
Intangible assets		5,408	7,369
Right-of-use assets		3,145	8,874
Deferred tax assets		272,919	290,794
		<u>2,505,692</u>	<u>2,362,257</u>
CURRENT ASSETS			
Inventories		2,097,932	1,501,868
Trade receivables	A19	1,335,153	719,416
Other receivables and prepayments		62,985	571,899
Tax recoverable		19,372	15,222
Derivative financial assets	A18	84,629	116,530
Bank balances		430,850	1,334,832
		<u>4,030,921</u>	<u>4,259,767</u>
TOTAL ASSETS		<u>6,536,613</u>	<u>6,622,024</u>
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		300,000	300,000
Retained earnings		1,619,036	1,832,959
Cash flow hedge reserve		(424,761)	(629,118)
Cost of hedging reserve		(14,433)	(1,156)
Exchange translation reserve		(128,888)	(128,888)
		<u>1,350,954</u>	<u>1,373,797</u>
CURRENT LIABILITIES			
Trade and other payables		2,786,333	2,720,572
Amount due to penultimate holding company, immediate holding company and related company		13,996	16,419
Lease liabilities		1,694	7,235
Contract liabilities		281	1,566
Derivative financial liabilities	A18	587,809	777,336
Borrowings	A20	1,190,113	1,004,703
		<u>4,580,226</u>	<u>4,527,831</u>
NON-CURRENT LIABILITIES			
Derivative financial liabilities	A18	-	115,282
Lease liabilities		-	870
Borrowings	A20	605,433	604,244
		<u>605,433</u>	<u>720,396</u>
TOTAL EQUITY AND LIABILITIES		<u>6,536,613</u>	<u>6,622,024</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 2022 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 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 2023	300,000	300,000	(629,118)	(1,156)	(128,888)	1,832,959	1,373,797
Net loss for the financial period	-	-	-	-	-	(213,923)	(213,923)
Other comprehensive income/(expenses) for the financial period	-	-	204,357	(13,277)	-	-	191,080
Total comprehensive income/(expenses) for the financial period	-	-	204,357	(13,277)	-	(213,923)	(22,843)
At 30 September 2023	<u>300,000</u>	<u>300,000</u>	<u>(424,761)</u>	<u>(14,433)</u>	<u>(128,888)</u>	<u>1,619,036</u>	<u>1,350,954</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 2022 and the accompanying supplementary notes to these condensed financial statements.



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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 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 expenses for the financial period	-	-	(716,315)	(51,753)	-	-	(768,068)
Total comprehensive (expenses)/income for the financial period	-	-	(716,315)	(51,753)	-	74,462	(693,606)
<u>Transactions with owners</u>							
Dividends payable	-	-	-	-	-	(30,000)	(30,000)
Total transactions with owners	-	-	-	-	-	(30,000)	(30,000)
At 30 September 2022	<u>300,000</u>	<u>300,000</u>	<u>(793,378)</u>	<u>(114,431)</u>	<u>(128,888)</u>	<u>2,065,061</u>	<u>1,328,364</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 2022 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 30.09.2023 RM'000	Unaudited 30.09.2022 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/Profit before taxation		(256,402)	88,394
Adjustments for:			
Depreciation of property, plant and equipment		97,660	73,041
Depreciation of right-of-use assets		5,467	5,620
Amortisation of intangible assets		1,961	2,037
Inventories (written back)/written down		(44,450)	148,778
Impairment of receivables		169	1,597
Impairment of plant and equipment		-	12,108
Amortisation of upfront and commitment fees for borrowings		3,290	978
Interest expense		75,599	30,475
Interest income		(13,065)	(10,632)
Gain on modification of lease contracts		(12)	-
Net fair value gain on derivative financial instruments – unrealised		(21,252)	(100,946)
Net foreign exchange loss – unrealised		125,340	67,083
Operating (loss)/profit before changes in working capital		(25,695)	318,533
Changes in working capital:			
Inventories		(551,614)	(464,959)
Trade and other receivables		(103,679)	(805,794)
Trade, other payables, contract liabilities and amounts due to penultimate holding company, immediate holding company and related company		(84,288)	743,439
Cash used in operating activities		(765,276)	(208,781)
Interest received		13,065	10,632
Tax refund		174	-
Tax paid		(4,311)	(12,171)
Net cash flows used in operating activities		(756,348)	(210,320)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(206,773)	(115,524)
Purchase of intangible assets		-	(290)
Net cash flows used in investing activities		(206,773)	(115,814)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(1,116,063)	(1,035,054)
Proceeds from borrowings		1,243,315	1,270,076
Interest paid		(74,569)	(40,614)
Repayment of principal portion of lease liabilities		(6,137)	(6,008)
Restricted cash for borrowing facilities		11,770	90,596
Net cash flows generated from financing activities		58,316	278,996
NET DECREASE IN CASH AND CASH EQUIVALENTS		(904,805)	(47,138)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		1,233,608	584,536
EFFECTS OF EXCHANGE RATE CHANGES		12,593	28,795
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	A22	341,396	566,193

The above Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 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”, 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 2022. 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 2022.

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 2022, and for the following standards and interpretation which became effective on 1 January 2023:

(a) Amendments to published standards that are effective for financial periods beginning on or after 1 January 2023

- Amendments to MFRS 101 – Disclosure of Accounting Policies
- Amendments to MFRS Practice Statement 2 “Making Material Judgements” – Disclosure of Accounting Policies
- Amendments to MFRS 108 – Definition of Accounting Estimates
- Amendments to MFRS 112 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction and International Tax Reform – Pillar Two Model Rules

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 – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current (effective on or after 1 January 2024)
- Amendments to MFRS 16 – Lease Liability in a Sale and Leaseback (effective on or after 1 January 2024)
- Amendments to MFRS 107 and MFRS 7 – Supplier Finance Arrangements (effective on or after 1 January 2024)
- Amendments to MFRS 121 – Lack of Exchangeability (effective on or after 1 January 2025)

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 2022 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 September 2023.

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 September 2023.

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>30.09.2023</u>	<u>30.09.2022</u>	<u>30.09.2023</u>	<u>30.09.2022</u>
	RM'000	RM'000	RM'000	RM'000
Sale of oil products				
- Refined	2,455,716	4,957,533	10,378,009	16,803,360
- Crude oil	698	73,262	1,966	74,853
	<u>2,456,414</u>	<u>5,030,795</u>	<u>10,379,975</u>	<u>16,878,213</u>

A9 Earnings/(Loss) per share

	Quarter ended		Cumulative period ended	
	<u>30.09.2023</u>	<u>30.09.2022</u>	<u>30.09.2023</u>	<u>30.09.2022</u>
Net profit/(loss) for the period (RM'000)	2,128	(640,479)	(213,923)	74,462
Weighted average number of ordinary shares in issue ('000)	300,000	300,000	300,000	300,000
Basic/diluted earnings/(loss) per share (sen)	0.71	(213.49)	(71.31)	24.82



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

A10 Profit/(Loss) before taxation

	Quarter ended		Cumulative period ended	
	<u>30.09.2023</u>	<u>30.09.2022</u>	<u>30.09.2023</u>	<u>30.09.2022</u>
	RM'000	RM'000	RM'000	RM'000
<i>The profit/(loss) before taxation is arrived at after (crediting)/charging:</i>				
Interest income	(2,723)	(8,744)	(13,065)	(10,632)
Liquidated damages	-	(3,523)	-	(15,202)
Insurance claims	(9,847)	-	(9,847)	(950)
Gain on modification of lease contracts	-	-	(12)	-
Amortisation of upfront and commitment fees for borrowings	434	890	3,290	978
Interest expense	23,867	14,297	75,599	30,475
Depreciation of property, plant and equipment	32,184	25,990	97,660	73,041
Depreciation of right-of-use assets	1,785	1,846	5,467	5,620
Amortisation of intangible assets	644	687	1,961	2,037
Impairment of plant and equipment	-	-	-	12,108
Impairment of receivables	-	-	169	1,597
Inventories written down/(written back)	34,732	70,045	(44,450)	148,778
Foreign exchange loss/(gain) – realised	6,454	23,422	(25,013)	72,875
Foreign exchange loss – unrealised	19,948	21,169	125,340	67,083
Fair value loss on derivative financial instruments	186,506	364,570	361,856	1,235,534

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>30.09.2023</u>	<u>30.09.2022</u>	<u>30.09.2023</u>	<u>30.09.2022</u>
	RM'000	RM'000	RM'000	RM'000
<u>Malaysian tax</u>				
Current tax	(13)	(198,792)	(13)	5,175
Deferred tax	17,604	(54,870)	(42,466)	8,757
	<u>17,591</u>	<u>(253,662)</u>	<u>(42,479)</u>	<u>13,932</u>

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

	Quarter ended		Cumulative period ended	
	<u>30.09.2023</u>	<u>30.09.2022</u>	<u>30.09.2023</u>	<u>30.09.2022</u>
	%	%	%	%
Applicable tax rate	24	(24)	(24)	24
Tax effects in respect of:				
- Expenses not deductible for tax purposes	6	1	1	37
- Income not taxable for tax purposes	1	-	(5)	-
- Deferred tax assets not recognised on unutilised tax losses	136	-	17	-
- Effects of increase in income tax rate	-	(5)	-	-
- Effects of recognition of reinvestment allowance	-	-	-	(44)
- Under/(Over) provisions in prior years	(78)	-	(6)	(1)
	<u>89</u>	<u>(28)</u>	<u>(17)</u>	<u>16</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 September 2023.



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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 September 2023.

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 2022.

A15 Corporate proposal

There were no corporate proposals announced which was not completed as of 21 November 2023 (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 2022.

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 2022.

Derivatives classified within current assets and current liabilities as at 30 September 2023 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 2023.

(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>30.09.2023</u>			
Forward foreign currency contracts	190,000	4,500	(872)
Forward priced commodity contracts	30,413	-	(2,989)
Commodity swap contracts	213,500	6,763	-
Refining margin swap contracts	<u>111,272</u>	<u>73,366</u>	<u>(583,948)</u>
<u>31.12.2022</u>			
Forward foreign currency contracts	181,500	-	(12,659)
Commodity swap contracts	119,734	-	(40,158)
Refining margin swap contracts	<u>235,068</u>	<u>116,530</u>	<u>(839,801)</u>

During the current quarter ended 30 September 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

	<u>As at</u> <u>30.09.2023</u>	<u>As at</u> <u>31.12.2022</u>
	RM'000	RM'000
Current	1,330,517	705,739
1 to 30 days past due	3,366	12,372
31 to 180 days past due	610	630
More than 180 days past due	829	675
	<u>1,335,322</u>	<u>719,416</u>
Less: Impairment of receivables	<u>(169)</u>	<u>-</u>
	<u>1,335,153</u>	<u>719,416</u>

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:

	<u>As at</u> <u>30.09.2023</u>	<u>As at</u> <u>31.12.2022</u>
	RM'000	RM'000
<u>Secured</u>		
Medium term notes, short-term loans and revolving credits	1,795,546	1,608,947
Less: Amount repayable within 12 months	<u>(1,190,113)</u>	<u>(1,004,703)</u>
Amount repayable after 12 months	<u>605,433</u>	<u>604,244</u>
Currency profile of borrowings:		
- USD	860,180	675,689
- MYR	<u>935,366</u>	<u>933,258</u>



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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 2023	1,608,947	-
- 1 January 2022	-	798,297
Proceeds from borrowings	1,243,315	1,270,076
Repayment of borrowings (includes interest paid)	(1,181,200)	(1,062,074)
Non-cash changes:		
- Interest accrued	65,849	28,325
- Amortisation of upfront and commitment fees for borrowings	3,290	978
- Unrealised foreign exchange loss	55,345	119,648
As at		
- 30 September 2023	1,795,546	-
- 30 September 2022	-	1,155,250

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

	RM'000	RM'000
As at		
- 1 January 2023	8,105	-
- 1 January 2022	-	16,101
Repayment of lease liabilities	(6,192)	(6,279)
Non-cash changes:		
- Modification on lease contracts	(274)	-
- Interest expenses	55	271
As at		
- 30 September 2023	1,694	-
- 30 September 2022	-	10,093



HENGYUAN REFINING COMPANY BERHAD

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(Incorporated in Malaysia)

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

A22 Cash and cash equivalents

	As at 30.09.2023 RM'000	As at 30.09.2022 RM'000
<u>Cash and cash equivalents comprise of:</u>		
Bank balances	430,850	581,066
Less: Restricted cash	<u>(89,454)</u>	<u>(14,873)</u>
	<u>341,396</u>	<u>566,193</u>

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

A23 Capital commitments

Capital commitments are as follows:

	As at 30.09.2023 RM'000	As at 31.12.2022 RM'000
<u>Plant and equipment</u>		
Approved and contracted for	33,466	44,414
Approved but not contracted for	<u>33,899</u>	<u>18,763</u>



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

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	
	<u>30.09.2023</u>	<u>30.09.2022</u>	<u>30.09.2023</u>	<u>30.09.2022</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>-</u>	<u>(455)</u>
- Central management and administrative charges	<u>-</u>	<u>(1,138)</u>	<u>(503)</u>	<u>(1,741)</u>
Transactions with an affiliated company				
- Central management and administrative charges	<u>(2,797)</u>	<u>(2,256)</u>	<u>(8,118)</u>	<u>(7,177)</u>
- Technical advisory support	<u>(4,994)</u>	<u>(4,991)</u>	<u>(15,052)</u>	<u>(14,810)</u>
- Rental of premises	<u>(110)</u>	<u>(29)</u>	<u>(339)</u>	<u>(91)</u>
Transactions with penultimate holding company				
- Technical consultancy and project support services	<u>-</u>	<u>(923)</u>	<u>-</u>	<u>(923)</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>30.09.2023</u>	<u>30.09.2022</u>	Variance		<u>30.09.2023</u>	<u>30.09.2022</u>	Variance	
	RM'mil	RM'mil	RM'mil	%	RM'mil	RM'mil	RM'mil	%
Revenue	2,456	5,031	(2,575)	-51	10,380	16,878	(6,498)	-38
Gross profit/ (loss) plus fair value changes in oil hedges recognised within other operating gains/(losses)	169	(756)	925	>100	201	513	(312)	-61
Profit/(Loss) after taxation	2	(640)	642	>100	(214)	74	(288)	>-100

The revenue reduction for the current quarter ("Q3 2023") and the cumulative period ("YTD 2023") against Q3 2022 and YTD 2022 were mainly affected by both lower sales volume and product market prices. Lower sales volume was due to the Major Turnaround (MTA) exercise that was undertaken in July and August 2023. Meanwhile, product market prices narrowed to an average price of USD111 per barrel and USD103 per barrel respectively as compared to USD124 per barrel and USD130 per barrel in the corresponding periods in 2022.

The significant rebound of Mogas cracks and higher stockholding gain contributed to better performance in Q3 2023 as compared to Q3 2022. Nevertheless, YTD 2023 performance was weaker than YTD 2022 due to the lower cracks for Gasoil and Jet A1.

At operating performance for both Q3 2023 and YTD 2023, the increase in manufacturing expenses was mainly due to the repair and maintenance costs incurred from the MTA exercise. The Company's net profitability continued to be pressured by the rising interest rates on the USD denominated loans, unfavourable exchange rate movement and higher depreciation charges arising from the completion of major projects in 2022.



HENGYUAN REFINING COMPANY BERHAD

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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>30.09.2023</u>	<u>Quarter ended</u> <u>30.06.2023</u>	<u>Variance</u>	
	RM'mil	RM'mil	RM'mil	%
Revenue	2,456	3,541	(1,085)	-31
Gross profit plus fair value changes in oil hedges recognised within other operating gains/(losses)	169	85	84	99
Profit/(Loss) after taxation	2	(96)	98	>100

Q3 2023 revenue was affected by lower sales volume in July and August 2023 due to the MTA exercise. However, it was softened by higher product market prices by 19%.

Despite undergoing MTA exercise, the Company managed to achieve better performance for the current quarter, on the back of stronger cracks for all main products and higher stockholding gain.

B3 Current year prospects

The turbulence in the global oil market continues to be driven by geopolitical tensions, ongoing wars between countries and uncertainty in the global economic outlook. These factors could upset the delicate balance between crude oil supply and demand, thereby affecting the cracking margin.

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 Profit forecast

The Company does not issue any profit forecasts.

BY ORDER OF THE BOARD

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

Kuala Lumpur
28 November 2023