



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 February 2022 the Board hereby announces its unaudited financial results for the fourth quarter ended 31 December 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 31.12.2021 RM'000	Unaudited quarter ended 31.12.2020 RM'000	Unaudited Financial year ended 31.12.2021 RM'000	Audited 31.12.2020 RM'000
Revenue	A8	4,056,640	1,824,848	12,006,040	7,176,147
Purchases		(3,786,758)	(1,548,652)	(10,961,386)	(6,796,240)
Gross profit		269,882	276,196	1,044,654	379,907
Other income		9,866	11,487	35,238	16,404
Manufacturing expenses		(55,599)	(62,831)	(215,464)	(229,751)
Administrative expenses		(13,782)	(14,051)	(54,906)	(51,350)
Depreciation and amortisation		(25,789)	(30,317)	(115,647)	(119,340)
Other operating gains/(losses)		43,176	49,822	(551,965)	308,121
Finance cost		2,443	(3,253)	(13,890)	(22,117)
Provision for impairment of receivables		-	-	(318)	(26,190)
Profit before taxation	A10	230,197	227,053	127,702	255,684
Taxation	A11	(50,414)	(55,531)	(45,030)	(4,701)
Profit after taxation		179,783	171,522	82,672	250,983
Other comprehensive income/ (expense):					
<i>Items that will be reclassified to profit or loss:</i>					
Cash flow hedge – net fair value gain/(loss) on derivatives used for hedging (net of tax)		47,973	(163,992)	(126,615)	(125,794)
Cost of hedging reserve (net of tax)		3,117	11,746	(60,468)	31,849
		51,090	(152,246)	(187,083)	(93,945)
Total comprehensive income/ (expense) for the financial period/year		230,873	19,276	(104,411)	157,038
Earnings per share:					
- basic/diluted (sen)	A9	59.93	57.17	27.56	83.66

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

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Condensed Statement of Financial Position

	Note	Unaudited As at <u>31.12.2021</u> RM'000	Audited As at <u>31.12.2020</u> RM'000
NON-CURRENT ASSETS			
Property, plant and equipment		2,008,877	1,994,188
Intangible assets		9,802	12,444
Right-of-use assets		16,340	23,444
Derivative financial assets	A18	19	-
		<u>2,035,038</u>	<u>2,030,076</u>
CURRENT ASSETS			
Inventories		1,572,571	1,051,689
Trade receivables		1,027,713	513,451
Other receivables and prepayments		133,518	28,311
Tax recoverable		3,051	2,994
Derivative financial assets		21,235	135,180
Bank balances		690,005	737,198
		<u>3,448,093</u>	<u>2,468,823</u>
TOTAL ASSETS		<u>5,483,131</u>	<u>4,498,899</u>
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		300,000	300,000
Retained earnings		2,020,599	1,949,927
Cash flow hedge reserve		(77,063)	49,552
Cost of hedging reserve		(62,678)	(2,210)
Exchange translation reserve		(128,888)	(128,888)
		<u>2,051,970</u>	<u>2,168,381</u>
CURRENT LIABILITIES			
Trade and other payables		2,272,212	1,308,516
Amount due to immediate holding company and related company		11,687	14,317
Lease liabilities		7,996	7,722
Contract liabilities		4,628	-
Derivative financial liabilities	A18	131,183	53,638
Borrowings	A19	478,057	250,689
		<u>2,905,763</u>	<u>1,634,882</u>
NON-CURRENT LIABILITIES			
Derivative financial liabilities	A18	96,264	15,886
Lease liabilities		8,105	15,796
Borrowings	A19	320,240	549,118
Deferred tax liabilities		100,789	114,836
		<u>525,398</u>	<u>695,636</u>
TOTAL EQUITY AND LIABILITIES		<u>5,483,131</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

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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	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 profit for the financial year	-	-	-	-	-	82,672	82,672
Other comprehensive expense for the financial year	-	-	(126,615)	(60,468)	-	-	(187,083)
Total comprehensive (expense)/income for the financial year	-	-	(126,615)	(60,468)	-	82,672	(104,411)
<u>Transaction with owners</u>							
Dividends paid	-	-	-	-	-	(12,000)	(12,000)
Total transaction with owners	-	-	-	-	-	(12,000)	(12,000)
At 31 December 2021	300,000	300,000	(77,063)	(62,678)	(128,888)	2,020,599	2,051,970
Audited							
At 1 January 2020	300,000	300,000	175,346	(34,059)	(128,888)	1,698,944	2,011,343
Net profit for the financial year	-	-	-	-	-	250,893	250,983
Other comprehensive (expense)/income for the financial year	-	-	(125,794)	31,849	-	-	(93,945)
Total comprehensive (expense)/income for the financial year	-	-	(125,794)	31,849	-	250,893	157,038
At 31 December 2020	300,000	300,000	49,552	(2,210)	(128,888)	1,949,927	2,168,381

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

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Condensed Statement of Cash Flows

	Note	Financial year ended	
		Unaudited 31.12.2021 RM'000	Audited 31.12.2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		127,702	255,684
Adjustments for:			
Depreciation of property, plant and equipment		105,510	109,128
Depreciation of right-of-use assets		7,453	7,518
Amortisation of intangible assets		2,684	2,694
Inventories written down		13,825	28,110
Provision for obsolete inventories		2,126	-
Provision for impairment of receivables		318	26,190
Property, plant and equipment written off		-	80
Amortisation of term loan commitment fee		177	177
Interest expense		13,713	21,940
Interest income		(4,972)	(6,217)
Gain on modification of lease contracts		(163)	-
Net fair value loss/(gain) on derivative financial instruments - unrealised		25,950	(22,453)
Net foreign exchange loss – unrealised		37,522	2,230
Operating profit before changes in working capital		331,845	425,081
Changes in working capital:			
Inventories		(536,833)	411,288
Trade and other receivables		(620,040)	159,285
Trade, other payables, contract liabilities and amount due to immediate holding company and related company		1,044,064	(566,945)
Cash generated from operating activities		219,036	428,709
Interest received		4,972	6,217
Tax paid		(57)	(161)
Net cash flows generated from operating activities		223,951	434,765
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(183,065)	(208,739)
Purchase of intangible assets		(42)	(1,068)
Net cash flows used in investing activities		(183,107)	(209,807)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(1,692,035)	(1,555,292)
Proceeds from borrowings		1,654,606	980,606
Interest paid		(32,981)	(44,493)
Repayment of principal portion of lease liabilities		(7,603)	(8,376)
Dividends paid	A12	(12,000)	-
Restricted cash for term loan facilities		(52,114)	45,223
Net cash flows used in financing activities		(142,127)	(582,332)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(101,283)	(357,374)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		683,843	1,036,788
EFFECTS OF EXCHANGE RATE CHANGES		1,976	4,429
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	A21	584,536	683,843

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)



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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 financial year ended 31 December 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 31 December 2021.



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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		Financial year ended	
	<u>31.12.2021</u>	<u>31.12.2020</u>	<u>31.12.2021</u>	<u>31.12.2020</u>
	RM'000	RM'000	RM'000	RM'000
Sale of oil products				
- Refined	4,056,282	1,824,783	11,889,433	7,175,066
- Crude oil	358	65	116,607	1,081
	<u>4,056,640</u>	<u>1,824,848</u>	<u>12,006,040</u>	<u>7,176,147</u>

A9 Earnings per share

	Quarter ended		Financial year ended	
	<u>31.12.2021</u>	<u>31.12.2020</u>	<u>31.12.2021</u>	<u>31.12.2020</u>
Net profit for the period/year (RM'000)	179,783	171,522	82,672	250,983
Weighted average number of ordinary shares in issue ('000)	300,000	300,000	300,000	300,000
Basic/diluted earnings per share (sen)	59.93	57.17	27.56	83.66



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

A10 Profit before taxation

	Quarter ended		Financial year ended	
	<u>31.12.2021</u>	<u>31.12.2020</u>	<u>31.12.2021</u>	<u>31.12.2020</u>
	RM'000	RM'000	RM'000	RM'000
<i>The profit before taxation is arrived at after (crediting)/charging:</i>				
Interest income	(1,327)	(1,300)	(4,972)	(6,217)
Liquidated damages	(8,004)	(10,187)	(26,331)	(10,187)
Insurance claims	(372)	-	(3,772)	-
Gain on modification of lease contracts	(163)	-	(163)	-
Amortisation of term loan commitment fees	44	14	177	177
Interest expense	(2,487)	3,239	13,713	21,940
Depreciation of property, plant and equipment	23,297	27,568	105,510	109,128
Depreciation of right-of-use assets	1,819	1,878	7,453	7,518
Amortisation of intangible assets	673	871	2,684	2,694
Write-off of property, plant and equipment	-	-	-	80
Inventories written down	(862)	28,110	13,825	28,110
Provision for obsolete inventories	2,126	-	2,126	-
Provision for impairment of receivables	-	(9)	318	26,190
Foreign exchange loss/(gain) – realised	7,860	(14,994)	23,896	(9,970)
Foreign exchange (gain)/loss – unrealised	(8,378)	(23,315)	37,522	2,230
Fair value loss/(gain) on derivative financial instruments	<u>64,733</u>	<u>(200,141)</u>	<u>535,991</u>	<u>(1,124,316)</u>

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		Financial year ended	
	<u>31.12.2021</u>	<u>31.12.2020</u>	<u>31.12.2021</u>	<u>31.12.2020</u>
	RM'000	RM'000	RM'000	RM'000
<u>Malaysian tax</u>				
Current tax	-	-	-	-
Deferred tax	<u>50,414</u>	<u>55,531</u>	<u>45,030</u>	<u>4,701</u>
	<u>50,414</u>	<u>55,531</u>	<u>45,030</u>	<u>4,701</u>

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

	Quarter ended		Financial year ended	
	<u>31.12.2021</u>	<u>31.12.2020</u>	<u>31.12.2021</u>	<u>31.12.2020</u>
	%	%	%	%
Applicable tax rate	24	24	24	24
Tax effects in respect of:				
- Expenses not deductible for tax purpose	-	(3)	7	1
- Effects arising due to difference between functional and tax reporting currency	-	3	-	-
- Utilisation of reinvestment allowance previously not recognised	-	-	-	(4)
- Recognition of previously unrecognised tax losses	-	-	-	(18)
- Under/(Over) accrual in prior year	2	-	12	(1)
- Recognition of reinvestment allowance	(5)	-	(8)	-
	<u>21</u>	<u>24</u>	<u>35</u>	<u>2</u>



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

A12 Dividend paid

The Company did not declare any dividend for the current quarter and financial year ended 31 December 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 financial year ended 31 December 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 31 December 2021.

A16 Material litigation

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



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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 31 December 2021 will mature within the next twelve months. Derivatives classified within non-current assets and liabilities will mature beyond 12 months.

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 31 December 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).



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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) – Level 2</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	7,653	1,093	(5,245)
Refining margin swap contracts	280,487	19,663	(187,074)
Interest rate swap contracts	71,875	-	(6,619)
<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)

During the financial year ended 31 December 2021 and 31 December 2020, 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 published rates of counterparties.

A19 Borrowings

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

	As at <u>31.12.2021</u> RM'000	As at <u>31.12.2020</u> RM'000
<u>Secured</u>		
Term loans, revolving credits and overdrafts	798,297	799,807
Less: Amount repayable within 12 months	(478,057)	(250,689)
Amount repayable after 12 months	320,240	549,118
Currency profile of borrowings:		
- USD	798,297	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.



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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	1,654,606	980,606
Repayment of borrowings (includes interest paid)	(1,712,218)	(1,588,009)
Non-cash changes:		
- Interest accrued	20,016	28,464
- Amortisation of term loan commitment fees	177	177
- Unrealised foreign exchange loss/(gain)	35,909	(3,344)
As at		
- 31 December 2021	798,297	-
- 31 December 2020	-	799,807

(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 lease liabilities	(8,283)	(8,376)
Non-cash changes:		
- New lease liabilities recognised	524	119
- Modification on lease contracts	(338)	-
- Interest expenses	680	1,018
As at		
- 31 December 2021	16,101	-
- 31 December 2020	-	23,518



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

A21 Cash and cash equivalents

	As at <u>31.12.2021</u> RM'000	As at <u>31.12.2020</u> RM'000
<u>Cash and cash equivalents comprise of:</u>		
Bank balances	690,005	737,198
Less: Restricted cash	<u>(105,469)</u>	<u>(53,355)</u>
	<u>584,536</u>	<u>683,843</u>

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

A22 Capital commitments

Capital commitments are as follows:

	As at <u>31.12.2021</u> RM'000	As at <u>31.12.2020</u> RM'000
<u>Property, plant and equipment</u>		
Approved and contracted for	117,670	185,135
Approved but not contracted for	<u>93,588</u>	<u>97,076</u>

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.



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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 year ended	
	<u>31.12.2021</u> RM'000	<u>31.12.2020</u> RM'000	<u>31.12.2021</u> RM'000	<u>31.12.2020</u> RM'000
Transactions with immediate holding company				
- Sale of refined products	<u>-</u>	<u>-</u>	<u>-</u>	<u>274,791</u>
- Purchase of refined products	<u>-</u>	<u>(3,216)</u>	<u>-</u>	<u>(58,800)</u>
- Freight brokerage services	<u>(2,568)</u>	<u>-</u>	<u>(4,965)</u>	<u>-</u>
- Central management and administrative charges	<u>-</u>	<u>(52)</u>	<u>(38)</u>	<u>(52)</u>
Transactions with an affiliated company				
- Purchase of refined products	<u>-</u>	<u>-</u>	<u>-</u>	<u>(646)</u>
- Central management and administrative charges	<u>(2,220)</u>	<u>(3,071)</u>	<u>(9,676)</u>	<u>(8,449)</u>
- Technical advisory support	<u>(4,932)</u>	<u>(4,240)</u>	<u>(20,655)</u>	<u>(24,020)</u>



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 year

	Quarter ended				Financial year ended			
	<u>31.12.2021</u> RM'mil	<u>31.12.2020</u> RM'mil	Variance RM'mil	%	<u>31.12.2021</u> RM'mil	<u>31.12.2020</u> RM'mil	Variance RM'mil	%
Revenue	4,057	1,825	2,232	>100	12,006	7,176	4,830	67
Gross profit plus fair value changes in oil hedges recognised within other operating gains/(losses)	313	288	25	9	554	676	(122)	-18
Profit after taxation	180	172	8	5	83	251	(168)	-67

The Company recorded higher year-on-year revenue for the fourth quarter ("4Q 2021") and financial year ended 31 December 2021 ("FY2021") as a result of a surge in market oil product price and higher sales volume due to increased oil demand from local customers after the relaxation of Movement Control Order in September 2021. The market price during 4Q 2021 and FY2021 spiked up to an average of USD92 per barrel and USD79 per barrel respectively, as compared to the average price of USD49 per barrel and USD48 per barrel in the comparative periods in 2020. Sales volumes for 4Q 2021 and FY2021 were 10.7 million barrels and 36.3 million barrels respectively, compared with 9.0 million barrels and 35.1 million barrels recorded in the corresponding periods in 2020.

The improved 4Q 2021 performance was mainly contributed by stockholding gain arising from the spike in crude oil price. The company-wide cost optimisation initiatives also contributed to 5% increase in 4Q 2021 profit after taxation.

Meanwhile, the refining margin for FY2021 reduced year-on-year due to crack swap settlement. Higher net foreign exchange loss and tax expense further reduced the Company's FY2021 profitability as compared to the previous financial year.



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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>31.12.2021</u>	<u>Quarter ended</u> <u>30.09.2021</u>	<u>Variance</u>	
	RM'mil	RM'mil	RM'mil	%
Revenue	4,057	3,250	807	25
Gross profit plus fair value changes in oil hedges recognised within other operating gains/(losses)	313	56	257	>100
Profit/(Loss) after taxation	180	(54)	234	>-100

Revenue growth of 25% for the quarter under review was supported by increase in oil demand amid the improved Covid-19 situation across the nation. This resulted in higher gross profit driven by better crack for Mogas, Gasoil and Jet Oil fuel as well as fair value gain in commodity hedge, which further improve the profit after taxation for the current quarter.

B3 Current year prospects

The global economic outlook is expected to improve and drive-up oil demand amid the economy re-opening. However, the global oil market remains to be volatile as both oil supply and demand side are facing different challenges.

The Company is 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.



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

B4 Status of Project Euro 4 Mogas

Due to the on-going challenge of Covid-19 pandemic which resulted in constraints in personnel mobility and availability, the Euro 4 Mogas project is expected to be completed in the second 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
28 February 2022