HENGYUAN REFINING COMPANY BERHAD
(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 2019, the Board hereby announces its unaudited financial results for the quarter ended 30 September 2019.

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 2018.

HENGYUAN REFINING COMPANY BERHAD
(3926-U)
(Incorporated in Malaysia)

Condensed Statement of Comprehensive Income

	Note	**Unaudited** Individual quarter ended **30.09.2019** **RM'000**	Unaudited Individual quarter ended 30.09.2018 RM'000	**Unaudited** Cumulative period ended **30.09.2019** **RM'000**	Unaudited Cumulative period ended 30.09.2018 RM'000
Revenue	A8	**3,225,121**	2,067,137	**9,491,418**	8,727,873
Purchases		**(3,150,131)**	(2,062,387)	**(9,097,550)**	(8,253,069)
Gross profit		**74,990**	4,750	**393,868**	474,804
Other income		**980**	6,118	**2,187**	12,958
Manufacturing expenses		**(48,952)**	(60,220)	**(152,487)**	(164,873)
Administrative expenses		**(14,129)**	(6,613)	**(45,146)**	(31,243)
Depreciation and amortisation		**(38,031)**	(48,407)	**(113,689)**	(141,587)
Other operating gains / (losses)		**37,080**	(26,794)	**(4,634)**	(82,502)
Finance cost		**(11,125)**	(8,265)	**(29,105)**	(46,584)
Profit / (loss) before taxation	A10	**813**	(139,431)	**50,994**	20,973
Taxation	A11	**(12,244)**	16,939	**(37,577)**	9,941
(Loss) / profit after taxation		**(11,431)**	(122,492)	**13,417**	30,914
Other comprehensive (expense) / income:					
Items that will be reclassified to profit or loss:					
Cash flow hedge-net fair value (loss) / gain on derivative used for hedging (net of tax)		**(121,262)**	64,743	**(75,315)**	(2,292)
Cost of hedging reserve (net of tax)		**17,653**	8,590	**(4,469)**	8,590
Items that will not be reclassified to profit or loss:					
Foreign currency translation differences		**21,748**	43,851	**23,994**	37,183
		(81,861)	117,184	**(55,790)**	43,481
Total comprehensive (expense) / income for the financial period		**(93,292)**	(5,308)	**(42,373)**	74,395
(Loss) / earnings per share:					
- basic (sen)	A9	**(3.81)**	(40.83)	**4.47**	10.30
- diluted (sen)	A9	**N/A**	N/A	**N/A**	N/A

The above Condensed Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying supplementary notes to these condensed financial statements.

HENGYUAN REFINING COMPANY BERHAD
(3926-U)
(Incorporated in Malaysia)

Condensed Statement of Financial Position

	Note	Unaudited As at 30.09.2019 RM'000	Audited As at 31.12.2018 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,768,148**	1,280,770
Prepaid lease payments		**1,651**	1,643
Intangible assets		**10,803**	23,032
Right-of-use assets		**31,814**	-
Derivative financial assets	A18	**26,861**	136,852
		1,839,277	1,442,297
CURRENT ASSETS			
Inventories		**1,340,288**	1,218,160
Trade receivables		**1,309,703**	915,840
Amount due from a related company		**-**	7,745
Other receivables and prepayments		**356,343**	228,343
Tax recoverable		**2,535**	1,627
Derivative financial assets	A18	**236,834**	151,439
Bank balances		**58,516**	204,880
		3,304,219	2,728,034
TOTAL ASSETS		**5,143,496**	4,170,331
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		**300,000**	300,000
Retained earnings		**1,677,377**	1,665,040
Cash flow hedge reserve		**121,197**	196,512
Cost of hedging reserve		**(36,842)**	(32,373)
Exchange translation reserve		**(83,526)**	(107,520)
		1,978,206	2,021,659
CURRENT LIABILITIES			
Trade and other payables		**1,692,375**	920,287
Amount due to related companies		**13,875**	24,982
Lease liabilities		**7,417**	-
Derivative financial liabilities	A18	**123,079**	8,250
Borrowings	A19	**635,552**	555,095
		2,472,298	1,508,614
NON-CURRENT LIABILITIES			
Derivative financial liabilities	A18	**16,226**	6,329
Lease liabilities		**25,801**	-
Borrowings	A19	**600,494**	595,537
Deferred tax liabilities		**50,471**	38,192
		692,992	640,058
TOTAL EQUITY AND LIABILITIES		**5,143,496**	4,170,331

The above Condensed Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying supplementary notes to these condensed financial statements.

HENGYUAN REFINING COMPANY BERHAD
(3926-U)
(Incorporated in Malaysia)

Condensed Statement of Changes in Equity

	Issued and fully paid ordinary shares				Non-distributable	Distributable	
	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	Total RM'000
Unaudited							
At 1 January 2019							
- as previously stated	300,000	300,000	196,512	(32,373)	(107,520)	1,665,040	2,021,659
- effects of transitioning to MFRS 16	-	-	-	-	-	(1,080)	(1,080)
- as restated	300,000	300,000	196,512	(32,373)	(107,520)	1,663,960	2,020,579
Net profit for the financial period	-	-	-	-	-	13,417	13,417
Other comprehensive (expense) / income for the financial period	-	-	(75,315)	(4,469)	23,994	-	(55,790)
Total comprehensive (expense) / income for the financial period	-	-	(75,315)	(4,469)	23,994	13,417	(42,373)
At 30 September 2019	300,000	300,000	121,197	(36,842)	(83,526)	1,677,377	1,978,206

HENGYUAN REFINING COMPANY BERHAD
(3926-U)
(Incorporated in Malaysia)

Condensed Statement of Changes in Equity *(continued)*

	Issued and fully paid ordinary shares		Non-distributable			Distributable	
	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	Total RM'000
Unaudited							
At 1 January 2018	300,000	300,000	(1,727)	-	(149,777)	1,640,198	1,788,694
Net profit for the financial period	-	-	-	-	-	30,914	30,914
Other comprehensive (expense) / income for the financial period	-	-	(2,292)	8,590	37,183	-	43,481
Total comprehensive (expense) / income for the financial period	-	-	(2,292)	8,590	37,183	30,914	74,395
Transaction with owners							
Dividends paid	-	-	-	-	-	(6,000)	(6,000)
Total transaction with owners	-	-	-	-	-	(6,000)	(6,000)
At 30 September 2018	300,000	300,000	(4,019)	8,590	(112,594)	1,665,112	1,857,089

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 2018 and the accompanying supplementary notes to these condensed financial statements.

HENGYUAN REFINING COMPANY BERHAD
(3926-U)
(Incorporated in Malaysia)

Condensed Statement of Cash Flows

	Note	Cumulative period ended Unaudited 30.09.2019 RM'000	Unaudited 30.09.2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**50,994**	20,973
Adjustments for:			
Depreciation of property, plant and equipment		**95,097**	129,250
Depreciation of right-of-use assets		**6,234**	-
Amortisation of intangible assets		**12,341**	12,325
Amortisation of prepaid lease payments		**17**	12
Amortisation of term loan commitment fees		**120**	14,696
Write-off of property, plant and equipment		**1,235**	-
Interest expense		**28,985**	31,888
Interest income		**(1,621)**	(12,934)
Gain on disposal of property, plant and equipment		**(33)**	-
Gain on modification of lease contracts		**(533)**	-
Net fair value gain on derivative financial instruments		**(29,709)**	(944)
Net foreign exchange losses / (gains) -unrealised		**17,286**	(3,204)
Reversal of allowance for doubtful debt		**-**	(50)
Operating profit before changes in working capital		**180,413**	192,012
Changes in working capital:			
Inventories		**(89,826)**	526,323
Trade and other receivables and amount due from a related company		**(438,453)**	829,746
Trade and other payables and amount due to related companies		**681,912**	(105,438)
Cash generated from operating activities		**334,046**	1,442,643
Interest received		**1,621**	12,934
Tax paid		**(1,275)**	(1,547)
Net cash flows generated from operating activities		**334,392**	1,454,030
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(494,540)**	(230,359)
Proceeds from disposal of property, plant and equipment		**33**	-
Purchase of intangible assets		**-**	(833)
Net cash flows used in investing activities		**(494,507)**	(231,192)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of term loans		**(3,497,449)**	(1,873,895)
Proceeds from borrowings		**3,567,728**	1,275,520
Interest paid		**(36,173)**	(35,246)
Dividends paid		**-**	(6,000)
Repayment of principal portion of lease liabilities		**(6,201)**	-
Restricted cash for term loan facilities		**32,949**	(32,669)
Refund of security deposit with a licensed bank		**-**	19,663
Net cash flows generated from / (used in) financing activities		**60,854**	(652,627)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(99,261)**	570,211
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**128,033**	492,886
EFFECTS OF EXCHANGE RATE CHANGES		**(14,643)**	31,675
CASH AND CASH EQUVALENTS AT THE END OF THE PERIOD	**A21**	**14,129**	1,094,772

The above Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying supplementary notes to these condensed financial statements.

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 2018.

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 2018.

The functional currency of the Company is United States Dollar ("USD"). The Company present its condensed financial statements in Ringgit Malaysia, consistent with the requirements of Companies Act, 2016 which requires financial statements and reports to be quoted in Ringgit Malaysia.

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 2018, and for the following standards and interpretation which became effective on 1 January 2019:

(a) Standards and amendments to published standards that are effective for financial year beginning 1 January 2019

- MFRS 16 "Leases"
- Amendments to MFRS 112 Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 123 Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)

A1 Basis of preparation (continued)

(a) Standards and amendments to published standards that are effective for financial year beginning 1 January 2019 (continued)

The main effects of the adoption of MFRSs and amendments to published standards above is summarised below:

- MFRS 16 “Leases”

  MFRS 16 “Leases” supersedes MFRS 117 “Leases” and related interpretations. Under MFRS 16, a lease is a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

  MFRS 16 eliminates the classification of leases by the lessee as either finance leases or operating leases. MFRS 16 requires a lessee to recognise a ”right-of-use” of the underlying asset and a lease liability reflecting future lease payments for most leases.

  The right-of-use asset is depreciated in accordance with the principle in MFRS 116 “Property, Plant and Equipment” and the lease liability is accreted over time with interest expense recognised in profit or loss.

  For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance lease and account for them accordingly.

  The Company has reviewed major leasing arrangements in light of the new lease accounting rules in MFRS 16. The standard will affect primarily the accounting for the Company’s operating leases.

  The Company has adopted MFRS 16 retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

A1 Basis of preparation (continued)

(a) Standards and amendments to published standards that are effective for financial year beginning 1 January 2019 (continued)

- MFRS 16 “Leases” (continued)

  On adoption of MFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of MFRS 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rates as of 1 January 2019.

  The associated right-of-use assets were measured on a retrospective basis as if the new rules had been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets on 1 January 2019.

  The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

  - Right-of-use of assets – increase by RM34,977,000
  - Deferred tax assets- increase by RM341,000
  - Lease liabilities – increase by RM36,398,000

  The net impact on retained earnings on 1 January 2019 was a decrease of RM1,080,000.

A1 Basis of preparation (continued)

(a) Standards and amendments to published standards that are effective for financial year beginning 1 January 2019 (continued)

- MFRS 16 "Leases" (continued)

<u>Practical expedients applied</u>

In applying MFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the accounting for operating leases for which the underlying asset is of low value
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

A1 Basis of preparation (continued)

(a) Standards and amendments to published standards that are effective for financial year beginning 1 January 2019 (continued)

- Amendments to MFRS 112 Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)

  The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distribution to owners. Therefore, the Company will recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. The adoption of the Amendments to MFRS 112 did not have any material impact on the Company as the Company's current practice is in line with these amendments.

- Amendments to MFRS 123 Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)

  The amendments clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings. Since the Company's current practice is in line with these amendments, there is no material impact on its financial statements.

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

- Amendments to MFRS 101 – "Definition of Material" (effective from 1 January 2020)
- Amendments to MFRS 108 – "Definition of Material" (effective from 1 January 2020)

  The financial impact that may arise from the adoption of the above new standards are being assessed by the Company.

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 2018 was not subjected to any audit qualification.

A3 Comments about seasonal or cyclical factors

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

A4 Significant events and transactions

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

A5 Critical accounting estimates and judgments

There were no changes in estimates of amounts reported in prior periods that had a material effect in the current quarter and period ended 30 September 2019.

A6 Debt and equity securities

There were no issuances of new debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares in the current quarter and period ended 30 September 2019.

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.

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

A8 Revenue

	Quarter ended		Cumulative period ended	
	30.09.2019	30.09.2018	**30.09.2019**	30.09.2018
	RM'000	RM'000	**RM'000**	RM'000
Sale of oil products				
- Refined	**3,224,925**	2,066,998	**9,489,706**	8,726,506
- Crude oil	**196**	139	**1,712**	1,367
	3,225,121	2,067,137	**9,491,418**	8,727,873

A9 (Loss) / earnings per share

	Quarter ended		Cumulative period ended	
	30.09.2019	30.09.2018	**30.09.2019**	30.09.2018
(a) Basic (loss) / earnings per share				
Net (loss) / profit for the period (RM'000)	**(11,431)**	(122,492)	**13,417**	30,914
Weighted average number of ordinary shares in issue (`000)	**300,000**	300,000	**300,000**	300,000
Basic (loss) / earnings per share (sen)	**(3.81)**	(40.83)	**4.47**	10.30
(b) Diluted (loss) / earnings per share (sen)	**N/A**	N/A	**N/A**	N/A

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

A10 Profit / (loss) before taxation

	Quarter ended		Cumulative period ended	
	30.09.2019	30.09.2018	**30.09.2019**	30.09.2018
	RM'000	RM'000	**RM'000**	RM'000
The profit / (loss) before taxation is arrived at after (crediting) / charging:				
Interest income	**(447)**	(6,118)	**(1,621)**	(12,934)
Operating and transport fees	**-**	-	**-**	(24)
Gain on modification of lease contracts	**(533)**	-	**(533)**	-
Gain on disposal of property, plant and equipment	**-**	-	**(33)**	-
Amortisation of term loan commitment fees	**38**	287	**120**	14,696
Interest expense	**11,087**	7,978	**28,985**	31,888
Depreciation of property, plant and equipment	**32,109**	44,178	**95,097**	129,250
Depreciation of right-of-use assets	**2,074**	-	**6,234**	-
Amortisation of intangible assets	**3,839**	4,225	**12,341**	12,325
Amortisation of prepaid lease payments	**9**	4	**17**	12
Write-off of property, plant and equipment	**1,235**	-	**1,235**	-
Reversal of allowance for doubtful debt	**-**	(50)	**-**	(50)
Foreign exchange loss realised	**9,393**	28,887	**17,057**	73,917
Foreign exchange loss / (gain) - unrealised	**10,169**	(6,620)	**17,286**	9,529
Fair value (gain) / loss on derivative financial instruments	**(13,056)**	4,527	**(84,921)**	(944)

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.

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	
	30.09.2019	30.09.2018	**30.09.2019**	30.09.2018
	RM'000	RM'000	**RM'000**	RM'000
Malaysian Tax				
Current tax	**235**	2,229	**384**	3,217
Deferred tax	**12,009**	(19,168)	**37,193**	(13,158)
	12,244	(16,939)	**37,577**	(9,941)

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

	Quarter ended		Cumulative period ended	
	30.09.2019	30.09.2018	**30.09.2019**	30.09.2018
	%	%	**%**	%
Applicable tax rate	**24**	(24)	**24**	24
Tax effects in respect of:				
- Expenses not deductible for tax purpose	**1,012**	-	**37**	58
- Expenses not deductible due to difference between functional and tax reporting currency	**1,229**	12	**25**	32
- Overprovision in prior years arising from difference in tax treatment on functional currency change	**(759)**	-	**(12)**	(161)
	1,506	(12)	**74**	(47)

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

A12 Dividends

The Company did not declare any dividend for the current quarter and period ended 30 September 2019.

On 17 April 2018, the Company paid a single-tier interim dividend of RM0.02 per share, amounting to RM6,000,000, in respect of financial year ended 31 December 2017.

A13 Changes in the composition of the Company

There were no changes in the composition of the Company in the current quarter and period ended 30 September 2019.

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 2018.

A15 Corporate proposal

There were no corporate proposals announced and not completed as at 30 September 2019.

A16 Material litigation

There were no material litigations involving the Company since 31 December 2018.

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, to manage the risks of margin erosion to an acceptable level. The Company may enter into futures, swaps, options 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's exposure to foreign currencies is limited to financial assets and liabilities that are denominated in currencies other than the US Dollar. 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 2018.

Derivatives classified within current assets and current liabilities as at 30 September 2019 will mature within the next twelve months (31 December 2018: within 12 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 30 September 2019.

(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).

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
Financial assets/(liabilities)			
Level 2			
30.09.2019			
Forward foreign currency contracts	**51,000**	**538**	**(271)**
Forward priced commodity contracts	**49,785**	**10,466**	**-**
Commodity options	**210**	**1,937**	**-**
Commodity swap contracts	**985,050**	**77,348**	**(88,026)**
Refining margin swap contracts	**477,681**	**173,406**	**(35,809)**
Interest rate swap contracts	**115,000**	**-**	**(15,199)**
31.12.2018			
Forward foreign currency contracts	100,880	-	(3,557)
Forward priced commodity contracts	54,706	26,209	-
Commodity options	560	3,460	(2,169)
Commodity swap contracts	59,405	22,291	-
Refining margin swap contracts	385,909	236,331	(2,524)
Interest rate swap contracts	137,500	-	(6,329)

There were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurement in the current quarter and financial year ended 31 December 2018. 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 30.09.2019 RM'000	As at 31.12.2018 RM'000
Term loans and revolving credits (secured)	**1,236,046**	1,150,632
Less: Amount repayable within 12 months	**(635,552)**	(555,095)
Amount repayable after 12 months	**600,494**	595,537
Currency profile of borrowings:		
- USD	**1,236,046**	1,150,632

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 2018.

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 2019	**1,150,632**	-
- 1 January 2018	**-**	1,205,008
Proceeds from borrowings	**3,567,728**	2,145,825
Repayment of borrowings (includes interest paid)	**(3,532,225)**	(2,280,907)
Non-cash changes:		
- Interest accrued	**34,660**	43,562
- Amortisation of term loan commitment fees	**120**	15,142
- Foreign exchange difference upon translation to presentation currency	**15,131**	22,002
As at		
- 30 September 2019	**1,236,046**	-
- 31 December 2018	**-**	1,150,632

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

	RM'000	RM'000
As at		
- 1 January 2019, as previously stated	**-**	-
Effects of transitioning to MFRS 16	**36,398**	-
As restated	**36,398**	-
- 1 January 2018	**-**	-
Repayment of principal portion of lease liabilities	**(6,201)**	-
Non-cash changes:		
- New lease liabilities recognised	**11,572**	-
- Modification of lease liability	**(9,409)**	-
- Interest accrued	**1,170**	-
- Foreign exchange difference upon translation to presentation currency	**(312)**	-
As at		
- 30 September 2019	**33,218**	-
- 31 December 2018	**-**	-

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

A21 Cash and cash equivalents

	As at 30.09.2019 RM'000	As at 30.09.2018 RM'000
Cash and cash equivalents comprise of:		
Bank balances	**58,516**	1,128,677
Less: Restricted cash	**(44,387)**	(33,905)
	14,129	1,094,772

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

A22 Capital commitments

Capital commitments as at 30 September 2019 are as follows:

	As at 30.09.2019 RM'000	As at 31.12.2018 RM'000
Property, plant and equipment		
Approved and contracted for	**388,100**	622,680
Approved but not contracted for	**183,093**	420,238

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.

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		Cumulative period ended	
	30.09.2019	30.09.2018	**30.09.2019**	30.09.2018
	RM'000	RM'000	**RM'000**	RM'000
Transactions with immediate holding company				
- Sale of refined products	**21,584**	127,726	**158,773**	127,726
- Purchase of refined products and freight charges	**(374)**	-	**(8,176)**	-
- Central management and administrative charges	**(184)**	(780)	**(6,586)**	(2,280)
- Technical advisory support	**(1,245)**	(1,484)	**(7,696)**	(3,484)
Transactions with an affiliated company				
- Central management and administrative charges	**(683)**	-	**(1,777)**	-
- Technical advisory support	**(2,607)**	-	**(4,533)**	-

Part B: Additional Information Required by Bursa Malaysia Listing Requirements

B1 Financial review for current quarter and financial period ended

	Quarter ended				Cumulative period ended			
	30.09.2019	30.09.2018	Variance		30.09.2019	30.09.2018	Variance	
	RM'mil	RM'mil	RM'mil	%	RM'mil	RM'mil	RM'mil	%
Revenue	**3,225**	2,067	**1,158**	56	**9,491**	8,728	**763**	9
Gross profit	**75**	5	**70**	>100	**394**	475	**(81)**	-17
(Loss)/ profit after taxation	**(11)**	(122)	**111**	91	**13**	31	**(18)**	-58

The overall financial performance of the comparative quarter and cumulative periods reflects the production downtime and operating expenditure incurred in delivering the Major Turnaround 2018 (MTA 2018) which commenced on 6 August 2018. As a direct result of this, revenue for the current quarter and cumulative period to date is comparably higher as the refinery recorded a sales volume of 10.7 million barrels and 31.5 million barrels respectively. Market quoted product prices averaged approximately USD72 per barrel for both the current quarter and cumulative period to date, compared to USD84 per barrel and USD81 per barrel in the respective comparative periods.

The Company recorded a loss on crack swaps of USD1.03 per barrel in the current quarter as the market experienced an improvement in mogas cracks above hedged levels. Stockholding losses of USD1.22 per barrel resulting from a drop in the market crude prices were effectively mitigated by the gains recognised on outstanding crude swaps, the effects of which are recorded within the 'other gains/losses' line item in the profit or loss statement.

The breakeven position prior to tax effects reflects high dependence on the realised oil margin, which remained comparatively lower than the past periods. Operating expenditure was in line with production volumes. Lower depreciation and amortisation costs reflect the extended useful lives of the refinery assets, based on an assessment carried out in the last financial year. Higher finance costs in the current quarter is a result of higher borrowings. Finance costs for the nine months ended September 2018 include a full amortisation of prepaid borrowing fees, after refinancing the term loans with the existing borrowing facilities.

The tax effects for the current quarter and nine months ended 30 September 2019 are determined based on Malaysian tax regulations, which require tax to be calculated based on Ringgit Malaysia denomination. Tax expenses arose from the reversal of deferred tax assets, resulting from the utilisation of unused tax losses and tax credits.

B2 Financial review for current quarter compared with immediately preceding quarter

	Quarter ended		Variance	
	30.09.2019	30.06.2019		
	RM'mil	RM'mil	**RM'mil**	**%**
Revenue	**3,225**	3,306	**(81)**	**-2**
Gross profit	**75**	135	**(60)**	**-44**
(Loss) / profit after taxation	**(11)**	3	**(14)**	**>-100**

Lower revenue in the current quarter is due to the marginal decrease in the average market product prices from USD75 per barrel in the preceding quarter to USD72 per barrel in the current quarter. The limited exposure to improving mogas cracks attributed to the lower gross profit against the previous quarter. Operating expenditure was in line with production levels.

As explained in B1, tax effects are determined based on Ringgit Malaysia denomination. Tax charges for the current quarter reflect the deferred tax effects arising from the utilisation of unused tax losses and tax credits.

B3 Current year prospects

Refining margins and crude prices are expected to remain volatile in the near term based on published forward market prices. Operational efficiency, safety performance, product quality, hydrocarbon hedging and financial risk management continue to remain key areas of focus in optimising the Company's performance.

On 22 October 2019, the Company announced that its Single Buoy Mooring located at its Port Dickson jetty sustained damage to an underwater valve. During the repair period the refinery had to reduce its intake by approximately 50% and initiated measures to ensure no disruption of product supplies to its customers. The repair works were completed on 31 October 2019 and the refinery returned to its normal operating level.

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

B4 Status of Project Euro 4M Mogas

The progress of the Company's Euro 4M Mogas Project ("Project") is delayed and is currently expected to complete by the fourth quarter of 2020.

There will be no impact to the Company's operation and no supply disruption to the market. From 1 January 2020 onwards until Project completion, the Company will continue to produce Euro 4M Mogas specification product to customers and the shortfall caused by the Project delay will be imported.

The delay is due to quality issues related to pipe fittings supplied by the EPCC LSTK (Engineering, Procurement, Construction and Commission Lumpsum Turnkey) contractor discovered by the Company during a recent Project review. To ensure that the quality and safety standards of the Project are met, additional time is required for the contractor to procure and install the replacement fittings at their cost.

The impact on the Company's profitability for FY2020 is expected to be minimal.

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 2019