



**HENGYUAN REFINING COMPANY BERHAD**

(formerly known as Shell Refining Company (Federation of Malaya) Berhad)

(3926-U)

(Incorporated in Malaysia)

In accordance with the approval of the Board of Directors of Hengyuan Refining Company Berhad (formerly known as Shell Refining Company (Federation of Malaya) Berhad) (“the Company”) dated 30 November 2017, the Board hereby announces its financial results for the third quarter ended 30 September 2017.

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 2016.



**HENGYUAN REFINING COMPANY BERHAD**  
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**Condensed Statement of Comprehensive Income**

		<b>Unaudited</b>	Unaudited	<b>Unaudited</b>	Unaudited
		<b>Individual Quarter</b>		<b>Cumulative Period</b>	
		<b>3 months ended</b>		<b>9 months ended</b>	
	<b>Note</b>	<b>30.09.2017</b>	30.09.2016	<b>30.09.2017</b>	30.09.2016
		<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Revenue	A8	<b>2,961,824</b>	1,962,133	<b>8,491,362</b>	5,833,504
Purchases		<b>(2,533,103)</b>	(1,931,397)	<b>(7,415,226)</b>	(5,355,125)
Gross profit		<b>428,721</b>	30,736	<b>1,076,136</b>	478,379
Other income		<b>9,258</b>	3,582	<b>21,740</b>	13,537
Manufacturing expenses		<b>(51,887)</b>	(58,359)	<b>(176,736)</b>	(151,926)
Administrative expenses		<b>(10,235)</b>	(13,078)	<b>(26,571)</b>	(43,162)
Depreciation and amortisation		<b>(49,540)</b>	(47,212)	<b>(153,302)</b>	(139,867)
Other operating gains		<b>51,761</b>	11,774	<b>33,739</b>	4,926
Finance cost		<b>(16,302)</b>	(8,246)	<b>(49,338)</b>	(33,663)
Profit/(loss) before taxation	A10	<b>361,776</b>	(80,803)	<b>725,668</b>	128,224
Taxation	A11	-	(56)	-	(761)
Profit/(loss) after taxation		<b>361,776</b>	(80,859)	<b>725,668</b>	127,463
Other comprehensive expenses:					
Foreign currency translation difference		<b>(27,927)</b>	-	<b>(78,305)</b>	-
Total comprehensive income/ (expense) for the financial period		<b>333,849</b>	(80,859)	<b>647,363</b>	127,463
Earnings/(loss) per share:					
- basic (sen)	A9	<b>120.59</b>	(26.95)	<b>241.89</b>	42.49
- diluted (sen)	A9	<b>N/A</b>	N/A	<b>N/A</b>	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 2016 and the accompanying supplementary notes to these condensed financial statements.



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**Condensed Statement of Financial Position**

	Note	Unaudited As at 30.09.2017 RM'000	Audited As at 31.12.2016 RM'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		731,514	851,282
Prepaid lease payments		1,703	1,824
Intangible assets		44,091	51,444
		<u>777,308</u>	<u>904,550</u>
<b>CURRENT ASSETS</b>			
Inventories		1,263,254	825,819
Trade receivables		1,130,859	950,686
Other receivables and prepayments		108,161	41,514
Tax recoverable		1,106	1,050
Derivative financial assets	A18	6,035	-
Deposits with licensed banks	A20	400,000	328,900
Bank balances	A20	497,768	26,712
		<u>3,407,183</u>	<u>2,174,681</u>
<b>TOTAL ASSETS</b>		<u><b>4,184,491</b></u>	<u><b>3,079,231</b></u>
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>			
Share capital		300,000	300,000
Retained earnings	A25	1,436,107	710,439
Foreign currency exchange reserve		(78,305)	-
		<u>1,657,802</u>	<u>1,010,439</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		1,206,459	651,879
Derivative financial liabilities	A18	9,407	-
Borrowings	A19	96,998	87,324
		<u>1,312,864</u>	<u>739,203</u>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	A19	1,213,825	1,329,589
		<u>1,213,825</u>	<u>1,329,589</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>4,184,491</b></u>	<u><b>3,079,231</b></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 2016 and the accompanying supplementary notes to these condensed financial statements.



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**Condensed Statement of Changes in Equity**

	Issued and fully paid ordinary shares of RM1 each		Non-distributable		Distributable	Total
	Number of shares '000	Nominal value RM '000	PSP reserve RM '000	Foreign exchange reserve RM '000	Retained earnings RM '000	
<b>Unaudited</b>						
At 1 January 2017	300,000	300,000	-	-	710,439	1,010,439
Net profit for the financial period	-	-	-	-	725,668	725,668
Other comprehensive expense for the financial period	-	-	-	(78,305)	-	(78,305)
Total comprehensive income for the financial period	-	-	-	(78,305)	725,668	647,363
At 30 September 2017	<b>300,000</b>	<b>300,000</b>	-	<b>(78,305)</b>	<b>1,436,107</b>	<b>1,657,802</b>
At 1 January 2016	300,000	300,000	1,924	-	375,166	677,090
Net profit for the financial period/Total comprehensive income for the financial period	-	-	-	-	127,463	127,463
Transactions with owners:						
Performance Share Plan from RDS - charge during the period	-	-	1,059	-	-	1,059
Total transactions with owners	-	-	1,059	-	-	1,059
At 30 September 2016	<b>300,000</b>	<b>300,000</b>	<b>2,983</b>	-	<b>502,629</b>	<b>805,612</b>

\* Performance share plan from Royal Dutch Shell Plc

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 2016 and the accompanying supplementary notes to these condensed financial statements.



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**Condensed Statement of Cash Flows**

<u>Unaudited</u>	9 months ended	
	30.09.2017 RM'000	30.09.2016 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	725,668	128,224
Adjustments for:		
Depreciation of property, plant and equipment	140,998	139,867
Amortisation of intangible assets	12,287	-
Amortisation of prepaid lease payments	17	14
Interest expense	49,338	30,482
Interest income	(11,431)	(3,169)
Net foreign exchange losses/(gains) - unrealised	4,200	(43,520)
Fair value (gains)/losses on derivative financial instruments	(3,239)	40,748
Write back of allowance for inventories	-	(2,018)
Allowance for doubtful debt	439	124
Operating profit before change in working capital	918,277	290,752
Changes in working capital		
Inventories	(492,089)	(134,918)
Trade and other receivables	(317,969)	26,779
Trade and other payables	617,059	(291,887)
Cash generated from operations	725,278	(109,274)
Interest received	11,431	3,169
Tax paid	-	3,043
Net cash flow generated from/(used in) operating activities	736,709	(103,062)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(68,077)	(14,627)
Net cash flows used in investing activities	(68,077)	(14,627)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of term loans	(43,480)	(182,074)
Net settlement of derivative	-	195,653
Proceeds from borrowings	-	73,800
Increase in prepaid term loan instalments	(32,036)	-
Security deposit placed with a licensed bank for trade facilities	(10,287)	-
Interest paid	(46,402)	(30,649)
Net cash flows (used in)/generated from financing activities	(132,205)	56,730
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	536,427	(60,959)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	344,516	175,523
<b>EFFECTS OF EXCHANGE RATE CHANGES</b>	(34,776)	13,691
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	A20 846,167	128,255

The above Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying supplementary notes to these condensed financial statements.



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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 MFRS 134 Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia (BMSB). These condensed financial statements also comply with IAS 134 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 2016.

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 2016.

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 2016, and for the following standards which became effective on 1 January 2017:

#### **(a) Standards, amendments to published standards and interpretations that are effective for financial year beginning 1 January 2017**

- Amendments to MFRS 107 'Statement of Cash Flows - Disclosure initiative'
- Amendments to MFRS 112 'Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses'

#### **(b) Standards, amendments to published standards and interpretations that have been issued but not yet effective**

- MFRS 9 'Financial Instruments' (effective from 1 January 2018)
- MFRS 15 'Revenue from contracts with customers' (effective from 1 January 2018)
- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration' (effective from 1 January 2018)
- MFRS 16 'Leases' (effective from 1 January 2019)



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

**A1 Basis of preparation (continued)**

Change in functional currency from RM to USD

A company's functional currency should reflect the underlying transactions, events and conditions that are relevant to it which includes the currency of the primary economic environment in which a company generates and expends cash, the currency in which funds from financing activities are generated and the currency in which receipts from operating activities are usually retained. The Company has changed its functional currency from RM to USD with effect from 1 January 2017 following the refinancing of the Company's borrowings to entirely USD denominated loans.

The Company continues to 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 resulting exchange differences arising from the conversion to Ringgit Malaysia presentation currency have been recognised within other comprehensive income.

**A2 Audit report of preceding annual financial statement**

The audit report of the Company's financial statement for the financial year ended 31 December 2016 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.



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

**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.

**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 during the financial period ended 30 September 2017.

**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**

	<b>Quarter ended</b>		<b>9 months ended</b>	
	<b>30.09.2017</b>	30.09.2016	<b>30.09.2017</b>	30.09.2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Sale of oil products				
- Refined	<b>2,961,500</b>	1,961,964	<b>8,489,654</b>	5,832,287
- Crude oil	<b>324</b>	169	<b>1,708</b>	1,217
	<b>2,961,824</b>	1,962,133	<b>8,491,362</b>	5,833,504





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

**A9 Earnings/(loss) per share**

		Quarter ended		9 months ended	
		30.09.2017	30.09.2016	30.09.2017	30.09.2016
<b>(a) Basic earnings/(loss) per share</b>					
Net profit/(loss) for the period	(RM'000)	<b>361,776</b>	(80,859)	<b>725,668</b>	127,463
Weighted average number of ordinary shares in issue	('000)	<b>300,000</b>	300,000	<b>300,000</b>	300,000
Basic earnings/(loss) per share	(sen)	<b>120.59</b>	(26.95)	<b>241.89</b>	42.49
<b>(b) Diluted earnings per share</b>	(sen)	<b>N/A</b>	N/A	<b>N/A</b>	N/A

**A10 Profit/(loss) before taxation**

	Unaudited		Unaudited	
	Quarter ended	Unaudited	9 months ended	Unaudited
	30.09.2017	30.09.2016	30.09.2017	30.09.2016
	RM'000	RM'000	RM'000	RM'000
<i>The profit/(loss) before taxation is arrived at after charging/(crediting):</i>				
Interest income	<b>(5,919)</b>	(234)	<b>(11,431)</b>	(3,169)
Operating and transport fees	<b>(3,474)</b>	(3,348)	<b>(10,395)</b>	(10,368)
Interest expense	<b>16,302</b>	9,190	<b>49,338</b>	30,482
Depreciation of property, plant and equipment	<b>46,216</b>	47,212	<b>140,998</b>	139,867
Amortisation of intangible assets	<b>3,320</b>	-	<b>12,287</b>	-
Amortisation of prepaid lease payments	<b>4</b>	5	<b>17</b>	14
Allowance/(Write back of allowance) for inventories	-	1,160	-	(2,018)
Allowance for doubtful debts	<b>9</b>	-	<b>439</b>	124
Foreign exchange (gain)/loss - realised	<b>(67,280)</b>	4,252	<b>(48,601)</b>	(3,503)
Foreign exchange (gain)/loss - unrealised	<b>17,796</b>	32,122	<b>17,139</b>	(43,521)
Fair value (gain)/loss on derivatives	<b>(3,239)</b>	(84,338)	<b>(3,239)</b>	40,748

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:

	<b>Quarter ended</b>		<b>9 months ended</b>	
	<b>30.09.2017</b>	30.09.2016	<b>30.09.2017</b>	30.09.2016
<u>Malaysian Tax</u>	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Current tax	-	56	-	761
Deferred tax	-	-	-	-
	<u>-</u>	<u>56</u>	<u>-</u>	<u>761</u>

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

	<b>Quarter ended</b>		<b>9 months ended</b>	
	<b>30.09.2017</b>	30.09.2016	<b>30.09.2017</b>	30.09.2016
Applicable tax rate	<b>24%</b>	24%	<b>24%</b>	24%
Tax effects in respect of:				
Expenses not deductible for tax purposes	<b>1%</b>	1%	<b>1%</b>	1%
Utilisation of tax losses / deductible temporary differences	<b>-25%</b>	-25%	<b>-25%</b>	-24%
Effective tax rate	<b>0%</b>	0%	<b>0%</b>	1%

**A12 Dividends**

The Company did not declare any dividend for the 3 months period ended 30 September 2017.



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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 during the current quarter.

**A14 Changes in contingent assets / liabilities**

There were no significant changes in contingent liabilities or assets since the last annual financial statements as at 31 December 2016.

**A15 Corporate proposal**

There are no corporate proposals announced but not completed as at 30 September 2017.

**A16 Material Litigation**

There were no material litigations involving the Company since 31 December 2016.

**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 and stock holding losses 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 is also exposed to foreign currency exchange risk as a result of transactions entered into currencies other than its functional currency. Following the change of its functional currency from Ringgit Malaysia to the US Dollar, the Company's exposure to foreign currencies is now limited to financial assets and liabilities that are denominated in currencies other than the US Dollar. The USD denominated term loans are no longer exposed to foreign currency fluctuations. The Company may enter into foreign currency hedge transactions to manage this exposure.



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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 of the Company approximated their fair values as at 30 September 2017.

(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).

Derivative financial instruments that were outstanding as at the reporting date are detailed below:

	<b>As at 30 Sep 2017 RM'000</b>	<b>As at 31 Dec 2016 RM'000</b>
<u>Derivative financial assets/(liabilities)</u>		
<u>Level 2</u>		-
Fair value of refining margin hedges - net	<b>2,670</b>	-
Fair value of forward foreign currency contracts	<b>479</b>	-
Fair value of forward priced commodity contracts	<b>(6,521)</b>	-



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

**A19 Borrowings**

Details of the Company's borrowings as at 30 September 2017 are as follows:

	As at <b>30.09.2017</b>	As at 31.12.2016
	RM '000	RM '000
Term Loans (secured)		
- Term Loan I	<b>803,536</b>	884,529
- Term Loan II	<b>507,287</b>	532,384
	<b>1,310,823</b>	1,416,913
Less: Amount repayable within 12 months	<b>(96,998)</b>	(87,324)
Amount repayable after 12 months	<b>1,213,825</b>	1,329,589
Currency profile of borrowings:		
- USD	<b>1,310,823</b>	1,416,913

Terms loans are denominated in US Dollar.

Terms and conditions of the term loans are detailed in the audited financial statement for the financial year ended 31 December 2016.

The overall reduction in the term loan balances between the reporting date and 31 December 2016 is due to the first instalment payment of USD10 million that was made on 21 June 2017 and differences arising from the translation of the USD denominated borrowings into RM for presentation purposes (30.09.2017: USD1.00 = RM4.2265; 31.12.2016: USD1.00 = RM4.4840).



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

**A20 Cash and cash equivalents**

	As at 30.09.2017 RM'000	As at 31.12.2016 RM'000
Cash and cash equivalents comprise of:		
Deposits with licensed banks	400,000	328,900
Bank balances	497,768	26,712
Less: Restricted cash	<u>(51,601)</u>	<u>(11,096)</u>
	<u>846,167</u>	<u>344,516</u>

Restricted cash comprise of a RM10 million security deposit placed with a local licensed bank for trade facilities and an amount equivalent to RM41.6 million held in a debt service accrual account associated with a term loan.

**A21 Capital commitments**

Capital commitments not provided for in the financial statements as at 30 September 2017 are as follows:

	RM'000
<b>Property, plant and equipment</b>	
Approved and contracted for	190,206
Approved but not contracted for	<u>599,866</u>
	<u>790,072</u>

**A22 Company's performance**

A review of the Company's financial performance in the reporting period is provided for in the accompanying Management Commentary in Part B.

**A23 Current year prospects**

A commentary on the Company's current year prospects is provided for in the accompanying Management Commentary in Part B.



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

**A24 Related party disclosure**

	Quarter ended		9 months ended	
	30.09.2017	30.09.2016	30.09.2017	30.09.2016
	RM '000	RM '000	RM '000	RM '000
Transactions with affiliates of Royal Dutch Shell Plc:				
- Sales of refined products	-	1,824,320	-	5,512,407
- Tariff revenue on the use of properties / facilities	-	4,476	-	13,199
- Purchase of crude and products	-	1,902,568	-	5,525,376
- Central management and administrative expenses	-	7,580	-	39,148

Following the acquisition of 51% of the issued and paid-up capital of the Company by Malaysia Hengyuan International Limited from Shell Overseas Holdings Limited (“SOHL”) on 22 December 2016, all transactions with companies affiliated to Royal Dutch Shell Plc have not been disclosed as related party transactions, in accordance with MFRS 124 “Related Party Disclosures”. Accordingly, all trade and non-trade transactions with Royal Dutch Shell Plc and its affiliates have been classified as transactions with external parties.

There were no trade or non-trade transactions with Malaysia Hengyuan International Limited or with its affiliated companies during the current quarter and 9 months ended 30 September 2017.



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**Supplementary Information Disclosed  
Pursuant to Bursa Malaysia Securities Berhad Listing Requirements**

**A25 Retained earnings**

The following analysis of realised and unrealised retained earnings at the legal entity level is prepared based on the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants.

	<b>As at 30.09.2017 RM '000</b>	<b>As at 31.12.2016 RM '000</b>
Realised	1,450,007	715,324
Unrealised	(13,900)	(4,885)
	<u>1,436,107</u>	<u>710,439</u>

The unrealised portion of the retained earnings disclosed above represents the cumulative unrealised foreign currency exchange loss, net of unrealised gains on derivative financial instruments.





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 (3926-U)  
 (Incorporated in Malaysia)

**Part B: Additional Information Required By Bursa Malaysia Listing Requirements**

**B1 Financial review for current quarter and financial year-to-date**

	Quarter ended				9 months ended			
	30.09.2017	30.09.2016	Variance		30.09.2017	30.09.2016	Variance	
	RM 'mil	RM 'mil	RM 'mil	%	RM 'mil	RM 'mil	RM 'mil	%
Revenue	2,962	1,962	1,000	51%	8,491	5,834	2,657	46%
Gross profit	429	31	398	>100%	1,076	478	598	125%
Profit/(loss) after taxation	362	(81)	443	>100%	726	127	599	472%

Revenue exceeded market expectations for the third quarter ended 30 September 2017 against the same period last year due to an unforeseen spike in the average prices of market traded refined products, following unplanned production outages caused by hurricanes in the Gulf of Mexico and a fire incident reported in a world-scale European refinery. The Company also achieved additional sales of 0.6 million barrels in the current quarter, complemented by improved plant reliability following a minor turnaround in May 2017 compared to lower production volumes in the corresponding period last year.

Similarly, revenue for the 9-month period ended 30 September 2017 was 46% higher than revenue for the corresponding period last year, due to higher average product market prices at \$63.50 per barrel, compared to \$48.80 per barrel for the corresponding period last year.

As a result, gross profits for the quarter ended 30 September 2017 were supported by strong refining margins due to the above-mentioned unexpected production outages in the global market, and a gradual recovery of traded crude prices resulting in a stockholding gain of \$2.64 per barrel. Refining margins for the similar quarter last year were significantly lower, whilst stockholding gain was recorded at USD0.76 per barrel.

Market average refining margins for the 9-month period ended September 2017 approximated USD8 per barrel. Market refining margins for the same period last year averaged below USD4 per barrel.



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

**B1 Financial review for current quarter and financial year-to-date (continued)**

Profit after taxation for the current quarter was comparably higher against the corresponding period last year due to improved gross profit margins and foreign currency exchange gains arising from RM denominated revenues as RM strengthened against USD. Operating expenditure for the current quarter in review improved against the corresponding period last year, offset by a higher depreciation/amortisation and financing cost in the current quarter.

The improved average gross profit margins and foreign currency exchange gains contributed positively to the net profit for the 9 months ended 30 September 2017. These were marginally offset by the minor turnaround maintenance costs, software subscription charges, higher finance costs and additional amortisation of intangible assets recognised in the period under review.

**B2 Financial review for current quarter compared with immediately preceding quarter**

	Quarter ended		Variance	
	30.09.2017	30.06.2017	RM 'mil	%
Revenue	2,962	2,598	364	14%
Gross profit	429	252	177	70%
Profit after taxation	362	84	278	331%

Higher revenues and increased margins recorded in the third quarter ended 30 September 2017 against the preceding quarter (Q2 2017) reflect the unforeseen spike in average product market prices following unplanned disruptions to global refinery production and improved plant productivity. Current quarter's gross profit included a stockholding gain of USD2.64 per barrel (Q2 2017: stockholding loss of USD1.71 per barrel). Gain on foreign currency exchange recognised in the current quarter resulting from the strengthening of RM against the USD provided further uplift to the current quarter's profit.



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

**B3 Current year prospects**

Refining margins are expected to be lower in the near term based on market published forward prices and refining margins. Operational efficiency, product quality, hydrocarbon and financial risk management continue to remain key areas of focus in optimising the Company's performance for the current financial year.

**B4 Status of Project Euro4M Mogas**

On the 16th of June 2017, the Company had announced the Final Investment Decision on the Euro4M Mogas project with planned completion in the 2nd half of 2018.

We anticipate a delay in the planned completion of the Euro4M Mogas project due to the longer than expected duration to fabricate the main equipment. We are currently evaluating options to minimise the impact and will provide further information in due course.

**B5 Profit forecast**

The Company does not issue any profit forecast.

The Company continues to prepare for a planned major statutory turnaround scheduled to be carried out in the third quarter next year, as detailed in our last Annual Report. This major turnaround is planned to take approximately 2.5 months. Accordingly, revenues for the financial year ending 31 December 2018 will reflect the anticipated reduction in sales and production activities.

**BY ORDER OF THE BOARD**

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

Kuala Lumpur  
30 November 2017