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 28 November 2018, the Board hereby announces its unaudited financial results for the third quarter ended 30 September 2018.

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 2017.

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

Condensed Statement of Comprehensive Income

	Note	**Unaudited**	Unaudited	**Unaudited**	Unaudited
		Individual quarter ended		**Cumulative period ended**	
		30.09.2018	30.09.2017	**30.09.2018**	30.09.2017
		RM'000	RM'000	**RM'000**	RM'000
Revenue	**A8**	**2,067,137**	2,961,824	**8,727,873**	8,491,362
Purchases		**(2,062,387)**	(2,533,103)	**(8,253,069)**	(7,415,226)
Gross profit		**4,750**	428,721	**474,804**	1,076,136
Other income		**6,118**	9,258	**12,958**	21,740
Manufacturing expenses		**(60,220)**	(51,887)	**(164,873)**	(176,736)
Administrative expenses		**(6,613)**	(10,235)	**(31,243)**	(26,571)
Depreciation and amortisation		**(48,407)**	(49,540)	**(141,587)**	(153,302)
Other operating (losses) / gains		**(26,794)**	51,761	**(82,502)**	33,739
Finance cost		**(8,265)**	(16,302)	**(46,584)**	(49,338)
(Loss) / profit before taxation	**A10**	**(139,431)**	361,776	**20,973**	725,668
Taxation	**A11**	**16,939**	-	**9,941**	-
(Loss) / profit after taxation		**(122,492)**	361,776	**30,914**	725,668
Other comprehensive (expense) / income:					
Items that will be reclassified to profit or loss:					
Cash flow hedge-net fair value gain / (loss) on derivative used for hedging (net of tax)		**64,743**	-	**(2,292)**	-
Cost of hedging reserve (net of tax)		**8,590**	-	**8,590**	-
Items that will not be reclassified to profit or loss:					
Foreign currency translation differences		**43,851**	(27,927)	**37,183**	(78,305)
		117,184	(27,927)	**43,481**	(78,305)
Total comprehensive (expense) / income for the financial period		**(5,308)**	333,849	**74,395**	647,363
(Loss) / earnings per share:					
- basic (sen)	**A9**	**(40.83)**	120.59	**10.30**	241.89
- 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 2017 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 30.09.2018 RM'000	Audited As at 31.12.2017 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment		**971,296**	736,834
Prepaid lease payments		**1,650**	1,632
Intangible assets		**27,255**	38,433
Derivative financial assets	A18	**25,737**	-
		1,025,938	776,899
CURRENT ASSETS			
Inventories		**577,207**	1,109,945
Trade receivables		**113,414**	1,081,278
Amount due from immediate holding company - trade		**91,401**	-
Other receivables and prepayments		**210,114**	166,296
Tax recoverable		**-**	1,230
Derivative financial assets	A18	**1,133**	3,498
Deposits with licensed banks	A20	**-**	310,000
Bank balances	A20	**1,128,677**	202,907
		2,121,946	2,875,154
TOTAL ASSETS		**3,147,884**	3,652,053
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		**300,000**	300,000
Retained earnings		**1,665,112**	1,640,198
Cash flow hedges		**(4,019)**	(1,727)
Cost of hedging reserve		**8,590**	-
Exchange translation reserve		**(112,594)**	(149,777)
		1,857,089	1,788,694
CURRENT LIABILITIES			
Trade and other payables		**597,169**	587,297
Amount due to immediate holding company – non-trade		**16,894**	14,200
Tax payable		**521**	-
Derivative financial liabilities	A18	**10,014**	14,812
Borrowings	A19	**127,731**	79,103
		752,329	695,412
NON-CURRENT LIABILITIES			
Derivative financial liabilities	A18	**11,562**	-
Borrowings	A19	**495,793**	1,125,905
Deferred tax liabilities		**31,111**	42,042
		538,466	1,167,947
TOTAL EQUITY AND LIABILITIES		**3,147,884**	3,652,053

The above Condensed Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 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 hedges 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**
Unaudited							
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 (expense)/income for the financial period	-	-	-	-	(78,305)	725,668	647,363
At 30 September 2017	300,000	300,000	-	-	(78,305)	1,436,107	1,657,802

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 2017 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** **30.09.2018** **RM'000**	 Unaudited 30.09.2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**20,973**	725,668
Adjustments for:			
Depreciation of property, plant and equipment		**129,250**	140,998
Amortisation of intangible assets		**12,325**	12,287
Amortisation of prepaid lease payments		**12**	17
Amortisation of term loan and commitment fees		**14,696**	3,439
Interest expense		**31,888**	45,899
Interest income		**(12,934)**	(11,431)
Net fair value gain on derivative financial instruments		**(944)**	(3,239)
Net foreign exchange (gains) / losses-unrealised		**(3,204)**	4,200
(Reversal of allowance) / allowance for doubtful debt		**(50)**	439
Operating profit before changes in working capital		**192,012**	918,277
Changes in working capital:			
Inventories		**526,323**	(492,089)
Trade and other receivables		**829,746**	(317,969)
Trade and other payables		**(105,438)**	617,059
Cash generated from operating activities		**1,442,643**	725,278
Interest received		**12,934**	11,431
Tax paid		**(1,547)**	-
Net cash flows generated from operating activities		**1,454,030**	736,709
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(230,359)**	(68,077)
Purchase of intangible assets		**(833)**	-
Net cash flows used in investing activities		**(231,192)**	(68,077)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of term loans		**(1,873,895)**	(43,480)
Proceeds from borrowings		**1,275,520**	-
Interest paid		**(35,246)**	(46,402)
Dividends paid		**(6,000)**	-
Prepaid term loan instalments		**(32,669)**	(32,036)
Refund/(placement) of security deposit with a licensed bank		**19,663**	(10,287)
Net cash flows used in financing activities		**(652,627)**	(132,205)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**570,211**	536,427
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**492,886**	344,516
EFFECTS OF EXCHANGE RATE CHANGES		**31,675**	(34,776)
CASH AND CASH EQUVALENTS AT THE END OF THE PERIOD	**A20**	**1,094,772**	846,167

The above Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 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 2017.

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 2017.

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 2017, and for the following standards and interpretation which became effective on 1 January 2018:

(a) Standards and interpretations that are effective for financial year beginning 1 January 2018

- MFRS 9 "Financial Instruments"
- MFRS 15 "Revenue from Contracts with Customers"
- IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration"

A1 Basis of preparation (continued)

(a) Standards and interpretations that are effective for financial year beginning 1 January 2018 (continued)

The main effects of the adoption of MFRSs and IC Interpretation above is summarised below:

- MFRS 9 "Financial Instruments"

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main changes are:

- For financial liabilities classified as fair value through profit or loss ("FVTPL"), the fair value changes due to own credit risk should be recognised directly to other comprehensive income. There is no subsequent recycling to profit or loss.

- When a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, should be recognised immediately in profit or loss.

A1 Basis of preparation (continued)

(a) Standards and interpretations that are effective for financial year beginning 1 January 2018 (continued)

- MFRS 9 "Financial Instruments" (continued)

MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminated the need for a trigger event to have occurred before credit losses are recognised.

The new hedge accounting rules aligns the accounting for hedging instruments more closely with the Company's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. Hedging relationships established as of 31 December 2017 continue to be treated as cash flow hedges upon adoption of MFRS 9.

The Company does not expect the requirements of the new standard to affect the classification and measurement of both its financial assets and financial liabilities. The expanded disclosure requirements and changes in presentation as required by the standard will be incorporated in the Company's financial statements for the financial year ending 31 December 2018.

A1 Basis of preparation (continued)

(a) Standards and interpretations that are effective for financial year beginning 1 January 2018 (continued)

- MFRS 15 "Revenue from Contracts with Customers"

MFRS 15 "Revenue from Contracts with Customers" effective from 1 January 2018 replaces MFRS 118 "Revenue" and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

A new five-step process is applied before revenue can be recognised:

- Identify contracts with customers;
- Identify the separate performance obligations;
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

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

A1 Basis of preparation (continued)

(a) Standards and interpretations that are effective for financial year beginning 1 January 2018 (continued)

- MFRS 15 "Revenue from Contracts with Customers" (continued)

  Key provisions of the new standard are as follows:

  - Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
  - If the consideration varies, minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
  - The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
  - There are new specific rules on licenses, warranties, non-refundable upfront fees and consignment arrangement, to name a few.
  - As with any new standard, there are also increased disclosures.

  The adoption of MFRS 15 did not result in any material changes to the timing and measurement of revenue recognition as the Company's recognition principles remain consistent with the previous accounting policies.

- IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration"

  The IC Interpretation clarifies the determination of transaction date, which in turn will determine the exchange rate to be used in reporting foreign currency transactions that involve advance consideration paid or received. The adoption of the IC Interpretation did not have any material impact on the Company as the exchange rates applied are consistent with the clarification in IC Interpretation 22.

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

A1 Basis of preparation (continued)

(b) Standards, amendments to published standards and interpretations that are applicable to the Company but not yet effective

- MFRS 16 "Leases" (effective from 1 January 2019)
- Amendments to MFRS 112 Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle) (effective from 1 January 2019)
- Amendments to MFRS 123 Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle) (effective from 1 January 2019)

The financial impact that may arise from the adoption of the above new standards are 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 2017 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.

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

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-to-date ended 30 June 2018.

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-to-date ended 30 September 2018.

A7 Segmental reporting

The Company is principally engaged in the business of refining and manufacturing of petroleum products in Malaysia, which is a single business segment. The Company's primary operations are also concentrated within Malaysia, hence operating within a single geographical segment. Accordingly, no segmental information is considered necessary for analysis by business or by geographical segments.

A8 Revenue

	Quarter ended		Cumulative period ended	
	30.09.2018	30.09.2017	**30.09.2018**	30.09.2017
	RM'000	RM'000	**RM'000**	RM'000
Sale of oil products				
- Refined	**2,066,998**	2,961,500	**8,726,506**	8,489,654
- Crude oil	**139**	324	**1,367**	1,708
	2,067,137	2,961,824	**8,727,873**	8,491,362

A9 (Loss) / earnings per share

	Quarter ended		Cumulative period ended	
	30.09.2018	30.09.2017	**30.09.2018**	30.09.2017
(a) Basic (loss) / earnings per share				
Net (loss) / profit for the period (RM'000)	**(122,493)**	361,776	**30,914**	725,668
Weighted average number of ordinary shares in issue (`000)	**300,000**	300,000	**300,000**	300,000
Basic (loss) / earnings per share (sen)	**(40.83)**	120.59	**10.30**	241.89
(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 (Loss) / profit before taxation

	Quarter ended		Cumulative period ended	
	30.09.2018	30.09.2017	**30.09.2018**	30.09.2017
	RM'000	RM'000	**RM'000**	RM'000
The (loss) / profit before taxation is arrived at after (crediting) / charging:				
Interest income	**(6,118)**	(5,919)	**(12,934)**	(11,431)
Operating and transport fees	**-**	(3,474)	**(24)**	(10,395)
Amortisation of term loan and commitment fees	**287**	1,135	**14,696**	3,439
Interest expense	**7,978**	15,167	**31,888**	45,899
Depreciation of property, plant and equipment	**44,178**	46,216	**129,250**	140,998
Amortisation of intangible assets	**4,225**	3,320	**12,325**	12,287
Amortisation of prepaid lease payments	**4**	4	**12**	17
(Reversal of allowance) / allowance for doubtful debt	**(50)**	9	**(50)**	439
Foreign exchange loss / (gain)-realised	**28,887**	(67,280)	**73,917**	(48,601)
Foreign exchange (gain) / loss- unrealised	**(6,620)**	17,796	**9,529**	17,139
Fair value loss / (gain) on derivative financial instruments	**4,527**	(3,239)	**(944)**	(3,239)

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.

A11 Taxation

Details of the Company's taxation are as follows:

	Quarter ended		Cumulative period ended	
	30.09.2018	30.09.2017	**30.09.2018**	30.09.2017
	RM'000	RM'000	**RM'000**	RM'000
Malaysian Tax				
Current tax	**2,229**	-	**3,217**	-
Deferred tax	**(19,168)**	-	**(13,158)**	-
	(16,939)	-	**(9,941)**	-

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

	Quarter ended		Cumulative period ended	
	30.09.2018	30.09.2017	**30.09.2018**	30.09.2017
	%	%	**%**	%
Applicable tax rate	**(24)**	24	**24**	24
Tax effects in respect of:				
- Expenses not deductible for tax purpose	**-**	1	**58**	1
- Expenses not deductible due to difference between functional and tax reporting currency	**12**	-	**32**	-
- Utilisation of tax losses/deductible temporary differences previously not recognised	**-**	(25)	**-**	(25)
- Overprovision in prior years arising from difference in tax treatment on functional currency change	**-**	-	**(161)**	-
	(12)	-	**(47)**	-

A12 Dividends

On 27 February 2018, the Directors declared a single-tier interim dividend of RM0.02 per share, amounting to RM6,000,000 in respect of the financial year ended 31 December 2017. The dividend was paid on 17 April 2018 to shareholders registered on the Record of Depositors at the close of business on 20 March 2018.

The Company did not declare any dividend for the current period and corresponding preceding quarter.

A13 Changes in the composition of the Company

There were no changes in the composition of the Company in the current quarter and period-to date ended 30 September 2018.

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 2017.

A15 Corporate proposal

There are no corporate proposals announced and not completed as at 30 September 2018.

A16 Material litigation

There were no material litigations involving the Company since 31 December 2017.

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. 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.

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 2017.

Derivatives outstanding within current assets and current liabilities as at 30 September 2018 will mature within the next twelve months (31 December 2017: within 12 months). Derivatives outstanding within non-current assets and liabilities will mature between 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 2018.

(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			
30.09.2018			
Forward foreign currency contracts	**3,600**	**-**	**(506)**
Refining margin swap contracts	**484,439**	**26,870**	**(20,385)**
Interest rate swap contracts	**137,500**	**-**	**(685)**
31.12.2017			
Forward foreign currency contracts	55,000	-	(1,462)
Forward priced commodity contracts	51,030	-	(7,731)
Refining margin swap contracts	40,826	3,498	(5,619)

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 period-to-date ended 30 September 2018. The fair values were obtained from published rates of counterparties.

A19 Borrowings

On 23 January 2018, the Company accepted banking facilities consisting of a mix of term loans and revolving credits of up to USD430,000,000 (approximately RM1,671,200,000). The facilities were utilised towards refinancing the Company's existing borrowings, partial financing of planned capital expenditure and meeting working capital requirements.

Since the beginning of the financial period, the Company had drawn down term loans amounting to USD160,000,000 (equivalent to RM637,760,000) and revolving credit facilities amounting to USD160,000,000 (equivalent to RM637,760,000). The Company subsequently repaid USD10,000,000 (equivalent to RM39,860,000) of the term loan and the entire balance of revolving credit in the current quarter.

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

	As at 30.09.2018 RM'000	As at 31.12.2017 RM'000
Term loans (secured)	**623,524**	1,205,008
Less: Amount repayable within 12 months	**(127,731)**	(79,103)
Amount repayable after 12 months	**495,793**	1,125,905
Currency profile of borrowings:		
- USD	**623,524**	1,205,008

Terms and conditions of the previous term loans are as disclosed in the audited financial statements for the financial year ended 31 December 2017.

A19 Borrowings (continued)

Detailed below are changes in liabilities arising from financing activities:

	RM'000	RM'000
As at		
- 1 January 2018	**1,205,008**	-
- 1 January 2017	**-**	1,416,913
Proceeds from borrowings	**1,275,520**	-
Repayment of borrowings (including accrued interest)	**(1,907,620)**	(144,978)
Non-cash changes:		
- Interest accrued	**34,750**	58,905
- Amortisation of term loan and commitment fees	**14,696**	3,870
- Foreign exchange difference upon translation to presentation currency	**1,170**	(129,702)
As at		
- 30 September 2018	**623,524**	-
- 31 December 2017	**-**	1,205,008

A20 Cash and cash equivalents

	As at 30.09.2018 RM'000	As at 31.12.2017 RM'000
Cash and cash equivalents comprise of:		
Deposits with licensed banks	**-**	310,000
Bank balances	**1,128,677**	202,907
Less: Restricted cash	**(33,905)**	(20,021)
	1,094,772	492,886

Restricted cash comprise of a RM Nil (31.12.2017: RM10.0 million) security deposit placed with a local licensed bank for trade facilities and an amount equivalent to RM33.9 million (31.12.2017: RM10.0 million) held in a debt service accrual account associated with a term loan.

A21 Capital commitments

Capital commitments as at 30 September 2018 are as follows:

	As at 30.09.2018 RM'000	As at 31.12.2017 RM'000
Property, plant and equipment		
Approved and contracted for	**194,895**	542,382
Approved but not contracted for	**846,506**	204,579

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

A22 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.

A23 Current year prospects

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

A24 Related party disclosure

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	
	30.09.2018	30.09.2017	**30.09.2018**	30.09.2017
	RM'000	RM'000	**RM'000**	RM'000
Transactions with immediate holding company				
- Sale of refined products	**127,726**	-	**127,726**	-
- Central management and administrative charges	**(780)**	-	**(2,280)**	-
- Technical advisory support	**(1,484)**	-	**(3,484)**	-

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

Part B: Additional Information Required By Bursa Malaysia Listing Requirements

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

	Quarter ended				Cumulative period ended			
	30.09.2018	30.09.2017	Variance		30.09.2018	30.09.2017	Variance	
	RM'mil	RM'mil	RM'mil	%	RM'mil	RM'mil	RM'mil	%
Revenue	**2,067**	2,962	**(895)**	-30%	8,728	8,491	237	3%
Gross profit	**5**	429	**(424)**	-99%	475	1,076	(601)	-56%
(Loss)/ profit after taxation	**(122)**	362	**(484)**	-134%	31	726	(695)	-96%

The results of the current quarter and cumulative period ended 30 September 2018 reflect the scheduled production downtime and operating expenditure to deliver the Major Turnaround 2018 (MTA 2018), which commenced on 6 August and was completed on 21 October.

As a direct result of the planned shutdown due to MTA 2018, the refinery recorded a reduced sales volume of 5.9 million barrels and 26.9 million barrels respectively for the current quarter and cumulative period ended 30 September 2018, compared to the 10.9 million barrels and 30.7 million barrels recorded in the corresponding comparative periods. Market quoted product prices in the current quarter and 9-month period averaged at USD84 per barrel and USD81 per barrel respectively, higher than the average price of USD64 per barrel in both comparative periods.

Gross profit margin for the current quarter includes the settlement of crude price swaps, amounting to RM88.9 million (previously recognised within other comprehensive income/expense). The crude swaps minimised the margin exposure to stockholding gains/losses. Accordingly, the swap settlements offset the stockholding gains recognised in the previous quarter, with cumulative 9-month net stockholding gains at USD0.97 per barrel. FIFO margin for the same period was USD5.04 per barrel. Margins for the comparative periods of 2017 were significantly higher as market refining margins were influenced by unplanned production outages caused by hurricanes in the Gulf of Mexico and a fire incident reported in a world-scale European refinery in the third quarter of 2017.

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

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

Operating expenditure for the current quarter and cumulative period includes RM28.2 million of planned maintenance activities carried out to coincide with MTA 2018, minimising disruptions to production. The Company recognised a loss on foreign currency exchange as RM continued to weaken against the US Dollar in the current quarter while lower finance costs resulted from the full repayment of revolving credit facilities in the current quarter and lower borrowing rates applicable on the new term loans and revolving credit facilities.

B2 Financial review for current quarter compared with immediately preceding quarter

	Quarter ended			
	30.09.2018	30.06.2018	**Variance**	
	RM'mil	RM'mil	**RM'mil**	**%**
Revenue	**2,067**	3,600	**(1,533)**	**-43%**
Gross profit	**5**	296	**(291)**	**-98%**
(Loss)/profit after taxation	**(122)**	67	**(189)**	**-282%**

Lower revenue and gross profit in the current quarter against the immediately preceding quarter were due to lower production activities in the current quarter and the effects of crude price swap settlements as explained in B1 above. These had direct impact on the (loss)/profit after taxation, together with the costs of additional planned maintenance activities and effects of foreign currency fluctuations.

B3 Current year prospects

The Company successfully and safely completed MTA 2018 below the approved budget by USD1.5 million or RM6.2 million. The scope of work conducted during the 11-week turnaround has been the largest since its incorporation based on the scope as approved by the Department of Occupational Safety and Health (DOSH), which is expected to shorten future turnarounds. Significant projects were also completed as planned to reduce production downtime when commissioning and starting up the new production units under regulatory compliance projects.

In addition to completing MTA 2018, the Company simultaneously completed the ATLAS II infrastructure project, installing a new 420-tonne top dome and cyclones in the Long Residue Catalytic Cracking Unit (LRCCU). The new dome is expected to extend the LRCCU's operating life for another 20 years, enabling the refinery to continue efficient and profitable operations.

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

B4 Status of Project Euro4M Mogas

The Malaysian government has deferred the deadline to implement Euro4M specification RON95 petrol to 1 January 2020. The Company continues its efforts in ensuring completion of its Euro4M Mogas processing unit to deliver compliant products to its customers.

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

B5 Profit forecast

The Company does not issue any profit forecast.

BY ORDER OF THE BOARD
Lim Hooi Mooi (MAICSA 0799764)
Ong Wai Leng (MAICSA 7065544)
Company Secretaries

Kuala Lumpur
28 November 2018