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 27 February 2019, the Board hereby announces its unaudited financial results for the fourth quarter ended 31 December 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** Individual quarter ended **31.12.2018** **RM'000**	Unaudited Individual quarter ended 31.12.2017 RM'000	**Unaudited** Financial year ended **31.12.2018** **RM'000**	Audited Financial year ended 31.12.2017 RM'000
Revenue	**A8**	**2,513,364**	3,092,105	**11,241,237**	11,583,467
Purchases		**(2,594,760)**	(2,735,328)	**(10,847,829)**	(10,150,554)
Gross (loss)/profit		**(81,396)**	356,777	**393,408**	1,432,913
Other income		**4,818**	9,024	**17,776**	30,764
Manufacturing expenses		**(48,987)**	(70,011)	**(213,860)**	(246,747)
Administrative expenses		**(16,879)**	(28,422)	**(48,122)**	(54,993)
Depreciation and amortisation		**(44,547)**	(52,386)	**(186,134)**	(205,688)
Other operating gains/(losses)		**74,147**	47,193	**(8,355)**	80,932
Finance cost		**(7,727)**	(14,341)	**(54,311)**	(63,679)
Reversal of impairment		**75,152**	-	**75,152**	-
(Loss)/profit before taxation	**A10**	**(45,419)**	247,834	**(24,446)**	973,502
Tax income/(expense)	**A11**	**45,347**	(43,743)	**55,288**	(43,743)
(Loss)/profit after taxation		**(72)**	204,091	**30,842**	929,759
Other comprehensive income/ (expense):					
Items that will be reclassified to profit or loss:					
Cash flow hedge - net fair value gain/(loss) on derivatives (net of tax)		**200,531**	(1,727)	**198,239**	(1,727)
Cost of hedging reserve (net of tax)		**(40,963)**	-	**(32,373)**	-
Items that will not be reclassified to profit or loss:					
Foreign currency translation differences		**5,074**	(71,472)	**42,257**	(149,777)
		164,642	(73,199)	**208,123**	(151,504)
Total comprehensive income for the financial period/year		**164,570**	130,892	**238,965**	778,255
Earnings per share:					
- basic (sen)	**A9**	**0**	68	**10**	310
- 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 31.12.2018 RM'000**	Audited As at 31.12.2017 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,280,770**	736,834
Prepaid lease payments		**1,643**	1,632
Intangible assets		**23,032**	38,433
Derivative financial assets	**A18**	**136,852**	-
		1,442,297	776,899
CURRENT ASSETS			
Inventories		**1,218,160**	1,109,945
Trade receivables		**1,017,476**	1,081,278
Amount due from immediate holding company - trade		**7,745**	-
Other receivables and prepayments		**126,415**	166,296
Tax recoverable		**1,627**	1,230
Derivative financial assets	**A18**	**151,439**	3,498
Deposits with licensed banks	**A20**	**-**	310,000
Bank balances	**A20**	**204,880**	202,907
		2,727,742	2,875,154
TOTAL ASSETS		**4,170,039**	3,652,053
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		**300,000**	300,000
Retained earnings		**1,665,040**	1,640,198
Cash flow hedges		**196,512**	(1,727)
Cost of hedging reserve		**(32,373)**	-
Exchange translation reserve		**(107,520)**	(149,777)
		2,021,659	1,788,694
CURRENT LIABILITIES			
Trade and other payables		**927,694**	587,297
Amount due to immediate holding company – trade and non-trade		**17,283**	14,200
Derivative financial liabilities	**A18**	**8,250**	14,812
Borrowings	**A19**	**555,095**	79,103
		1,508,322	695,412
NON-CURRENT LIABILITIES			
Derivative financial liabilities	**A18**	**6,329**	-
Borrowings	**A19**	**595,537**	1,125,905
Deferred tax liabilities		**38,192**	42,042
		640,058	1,167,947
TOTAL EQUITY AND LIABILITIES		**4,170,039**	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 year	**-**	**-**	**-**	**-**	**-**	**30,842**	**30,842**
Other comprehensive income/ (expense) for the financial year	**-**	**-**	**198,239**	**(32,373)**	**42,257**	**-**	**208,123**
Total comprehensive income/ (expense) for the financial year	**-**	**-**	**198,239**	**(32,373)**	**42,257**	**30,842**	**238,965**
Transaction with owners							
Dividends paid	**-**	**-**	**-**	**-**	**-**	**(6,000)**	**(6,000)**
Total transaction with owners	**-**	**-**	**-**	**-**	**-**	**(6,000)**	**(6,000)**
At 31 December 2018	**300,000**	**300,000**	**196,512**	**(32,373)**	**(107,520)**	**1,665,040**	**2,021,659**
Audited							
At 1 January 2017	300,000	300,000	-	-	-	710,439	1,010,439
Net profit for the financial year	-	-	-	-	-	929,759	929,759
Other comprehensive expense for the financial year	-	-	(1,727)	-	(149,777)	-	(151,504)
Total comprehensive (expense)/ income for the financial year	-	-	(1,727)	-	(149,777)	929,759	778,255
At 31 December 2017	300,000	300,000	(1,727)	-	(149,777)	1,640,198	1,788,694

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	Unaudited	Audited
		Financial year ended	
		31.12.2018	31.12.2017
		RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before taxation		**(24,446)**	973,502
Adjustments for:			
Depreciation of property, plant and equipment		**169,484**	189,384
Amortisation of intangible assets		**16,634**	16,282
Amortisation of prepaid lease payments		**16**	22
Amortisation of term loan commitment fees		**15,142**	4,541
Interest expense		**39,169**	58,905
Interest income		**(16,623)**	(16,564)
Net fair value (gain)/loss on derivative financial instruments		**(26,847)**	1,549
Net foreign exchange losses/(gains) - unrealised		**3,450**	(14,336)
(Reversal of allowance)/allowance for doubtful debt		**(48)**	1,383
Reversal of impairment		**(75,152)**	-
Write back of allowance for inventories, net		**-**	(113)
Operating profit before changes in working capital		**100,779**	1,214,555
Changes in working capital:			
Inventories		**(117,077)**	(375,786)
Trade and other receivables and amount receivable from immediate holding company		**116,927**	(357,333)
Trade and other payables and amount payable to immediate holding company		**224,622**	(20,425)
Cash generated from operating activities		**325,251**	461,011
Interest received		**16,624**	16,564
Tax paid		**(1,561)**	(765)
Net cash flows generated from operating activities		**340,314**	476,810
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(506,645)**	(125,980)
Purchase of intangible assets		**(843)**	(3,432)
Net cash flows used in investing activities		**(507,488)**	(129,412)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		**(2,134,205)**	(86,006)
Proceeds from borrowings		**2,040,954**	-
Interest paid		**(43,414)**	(58,972)
Dividends paid		**(6,000)**	-
Prepaid term loan instalments		**(74,878)**	(571)
Refund/(placement) of security deposit with a licensed bank		**19,897**	(10,000)
Net cash flows used in financing activities		**(197,646)**	(155,549)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(364,820)**	191,849
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**492,886**	344,516
EFFECTS OF EXCHANGE RATE CHANGES		**(33)**	(43,479)
CASH AND CASH EQUVALENTS AT THE END OF THE YEAR	**A20**	**128,033**	492,886

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.

  Classification and measurement of financial assets and financial liabilities are in accordance with the requirements of MFRS 9. 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 ended 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.

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.

A4 Significant events and transactions

The Company partially reversed the impairment on its property, plant and equipment which was previously recognised in FY2014. The reversal was made following an annual assessment of the assets' recoverable amount. The recoverable amount, which was based on the value in use of the refinery's assets, was determined using average projected margins from external sources, adjusted for operating and committed capital expenditure. The impairment reversal takes into consideration the successful completion of the Major Turnaround 2018 and Atlas II projects, and the progress on other key regulatory driven projects, namely Euro4M Mogas, H2Gen and Clean Air Regulation units.

Except for the above, there are no other significant events or transactions affecting assets, liabilities, equity, net income or cash flows for the financial year that were unusual due to their nature, size or incidence.

A5 Critical accounting estimates and judgments

In addition to the key assumptions as described in A4 above, below are other key estimates that were used in determining the refinery assets' value in use:

- Projected net cash flows cover a period of 20-years;
- Refinery production levels reflect historical volumes, adjusted for planned turnaround activities;
- Margin uplift initiatives from crude optimisation and business improvement plans; and
- Post-tax discount rate of 11.1% based on the weighted average cost of capital.

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 financial year ended 31 December 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.

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

A8 Revenue

	Quarter ended		Financial year ended	
	31.12.2018	31.12.2017	**31.12.2018**	31.12.2017
	RM'000	RM'000	**RM'000**	RM'000
Sale of oil products				
- Refined	**2,513,013**	3,090,192	**11,239,519**	11,579,846
- Crude oil	**351**	1,913	**1,718**	3,621
	2,513,364	3,092,105	**11,241,237**	11,583,467

A9 Earnings per share

	Quarter ended		Financial year ended	
	31.12.2018	31.12.2017	**31.12.2018**	31.12.2017
(a) Basic earnings per share				
Net (loss)/profit for the period/year (RM'000)	**(72)**	204,091	**30,842**	929,759
Weighted average number of ordinary shares in issue (`000)	**300,000**	300,000	**300,000**	300,000
Basic earnings per share (sen)	**0**	68	**10**	310
(b) Diluted 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		Financial year ended	
	31.12.2018	31.12.2017	**31.12.2018**	31.12.2017
	RM'000	RM'000	**RM'000**	RM'000
(Loss)/profit before taxation is arrived at after (crediting)/ charging:				
Interest income	**(3,689)**	(5,219)	**(16,623)**	(16,564)
Operating and transport fees	**-**	(3,805)	**(24)**	(14,200)
Cost recovery from intellectual property buy-out	**(1,129)**	-	**(1,129)**	-
Amortisation of term loan commitment fees	**446**	1,102	**15,142**	4,541
Interest expense	**7,281**	13,006	**39,169**	58,905
Depreciation of property, plant and equipment	**40,234**	48,386	**169,484**	189,384
Amortisation of intangible assets	**4,309**	3,995	**16,634**	16,282
Amortisation of prepaid lease payments	**4**	5	**16**	22
Allowance/(reversal of allowance) for doubtful debt	**2**	944	**(48)**	1,383
Write back of allowance for inventories	**-**	(113)	**-**	(113)
Foreign exchange loss/ (gain)-realised	**3,055**	(8,361)	**76,972**	(56,962)
Foreign exchange loss/ (gain) unrealised	**3,855**	(42,633)	**13,384**	(25,494)
Fair value (gain)/loss on derivative financial instruments	**(81,057)**	4,788	**(82,001)**	1,549
Ineffective portion of cash flow hedges	**-**	(25)	**-**	(25)

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		Financial year ended	
	31.12.2018	31.12.2017	**31.12.2018**	31.12.2017
	RM'000	RM'000	**RM'000**	RM'000
Malaysian Tax				
Tax (income)/expense				
- Current tax	**(1,634)**	109	**1,583**	109
- Deferred tax	**(43,713)**	43,634	**(56,871)**	43,634
	(45,347)	43,743	**(55,288)**	43,743

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

	Quarter ended		Financial year ended	
	31.12.2018	31.12.2017	**31.12.2018**	31.12.2017
	%	%	**%**	%
Applicable tax rate	**(24)**	24	**(24)**	24
Tax effects in respect of:				
- Expenses not deductible for tax purposes	**-**	1	**46**	1
- Income not taxable due to difference between functional and tax reporting currency	**(76)**	(1)	**(118)**	(1)
- Utilisation of tax losses/deductible temporary differences previously not recognised	**-**	(6)	**-**	(19)
- Overprovision in prior years arising from difference in tax treatment on functional currency change	**-**	-	**(130)**	-
	(100)	18	**(226)**	5

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 financial year ended 31 December 2018.

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.

A13 Changes in the composition of the Company

There were no changes in the composition of the Company in the current quarter and year-to-date ended 31 December 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 were no corporate proposals announced and not completed as at 31 December 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 classified within current assets and current liabilities as at 31 December 2018 will mature within the next twelve months (31 December 2017: 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 31 December 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).

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

A18 Fair value disclosures (continued)

(b) Financial instruments carried at fair value (continued):

Fair value of financial instruments that were outstanding as at the reporting date are detailed below:

	Contract / notional amount USD'000	**Assets RM'000**	**(Liabilities) RM'000**
Financial assets / (liabilities)			
Level 2			
31.12.2018			
Forward foreign currency contracts	**100,880**	**-**	**(3,557)**
Forward priced commodity contracts	**54,706**	**26,209**	**-**
Commodity options	**560**	**3,460**	**(2,168)**
Commodity swap contracts	**59,405**	**22,291**	**-**
Refining margin swap contracts	**385,909**	**236,331**	**(2,524)**
Interest rate swap contracts	**137,500**	**-**	**(6,330)**
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 financial year ended 31 December 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, based on the exchange rate at the time). The facilities were utilised towards refinancing the Company's existing borrowings, partial financing of planned capital expenditure and meeting working capital requirements.

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

	As at 31.12.2018 RM'000	As at 31.12.2017 RM'000
Term loans and revolving credits (secured)	**1,150,632**	1,205,008
Less: Amount repayable within 12 months	**(555,095)**	(79,103)
Amount repayable after 12 months	**595,537**	1,125,905
Currency profile of borrowings:		
- USD	**1,150,632**	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	**2,040,954**	-
Repayment of borrowings (includes interest paid)	**(2,176,036)**	(144,978)
Non-cash changes:		
- Interest accrued	**43,550**	58,905
- Amortisation of term loan commitment fees	**15,142**	4,541
- Foreign exchange difference upon translation to presentation currency	**22,014**	(130,373)
As at		
- 31 December 2018	**1,150,632**	-
- 31 December 2017	**-**	1,205,008

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

A20 Cash and cash equivalents

	As at 31.12.2018 RM'000	As at 31.12.2017 RM'000
Cash and cash equivalents comprise of:		
Deposits with licensed banks	**-**	310,000
Bank balances	**204,880**	202,907
Less: Restricted cash	**(76,847)**	(20,021)
	128,033	492,886

Restricted cash comprise of amounts held in a debt service accrual account associated with the term loan facilities. Restricted cash as at 31 December 2017 also included a RM10 million security deposit placed with a licensed bank for trade facilities. This security deposit has since been released.

A21 Capital commitments

Capital commitments as at 31 December 2018 are as follows:

	As at 31.12.2018 RM'000	As at 31.12.2017 RM'000
Property, plant and equipment		
Approved and contracted for	**622,680**	542,382
Approved but not contracted for	**420,238**	204,579

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		**Financial year ended**	
	31.12.2018	31.12.2017	**31.12.2018**	31.12.2017
	RM'000	RM'000	**RM'000**	RM'000
Transactions with immediate holding company				
- Sale of refined products	**42,934**	-	43,054	-
- Purchase of refined products	**(22,031)**	-	**(22,031)**	-
- Central management and administrative charges	**(4,729)**	(7,417)	**(7,009)**	(7,417)
- Technical advisory support	**1,919***	(7,629)	**(1,565)**	(7,629)

* Included within technical advisory support is an over accrual in prior year amounting to RM3,300,000.

Part B: Additional Information Required by Bursa Malaysia Listing Requirements

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

	Quarter ended				Financial year ended			
	31.12.2018	31.12.2017	Variance		31.12.2018	31.12.2017	Variance	
	RM'mil	RM'mil	RM'mil	%	RM'mil	RM'mil	RM'mil	%
Revenue	**2,513**	3,092	**(579)**	-19	11,241	11,583	(343)	-3
Gross (loss)/ profit	**(81)**	357	**(438)**	-123	393	1,433	(1,040)	-73
(Loss)/profit after taxation	**-**	204	**(204)**	-100	31	930	(899)	-97

The performance of the current quarter and financial year ended 31 December 2018 was significantly affected by the scheduled production downtime to deliver the Major Turnaround 2018 (MTA 2018), which commenced on 6 August and was completed on 21 October. The Company also recognised a partial reversal of impairment originally done in financial year ended 2014, following a reassessment of its property, plant and equipment's recoverable amount after the successful completion of two major projects - MTA 2018 and the replacement of the long-residue catalytic cracker unit's (LRCCU) regenerator dome (Atlas II). The assessment also takes into consideration progress on other key projects, namely Euro4M Mogas plant, H2Gen and Clean Air Regulation projects, ensuring long-term commitment to supply regulatory-compliant products for local demand.

As a direct result of the MTA 2018, the refinery recorded a reduced sales volume of 8.2 million barrels and 35.2 million barrels respectively for the current quarter and financial year ended 31 December 2018, compared to the 10.4 million barrels and 41.1 million barrels recorded in the corresponding comparative periods. Market quoted product prices in the current quarter and 12-month period averaged USD72 per barrel and USD79 per barrel respectively, higher than the average price of USD71 per barrel and USD65 per barrel in the comparative periods.

Gross margin for the current quarter included gains on settlement of commodity price swaps, amounting to RM80.2 million, which effectively offset the stockholding losses on hydrocarbon inventories, as Brent crude prices saw a significant decline from USD85 per barrel to USD54 per barrel within the quarter. Accordingly, the swap settlements offset the stockholding gains recognised in the previous quarter, with cumulative 12-month net stockholding loss at USD0.44 per barrel. FIFO margin for the same period was USD3.00 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 financial year ended included RM25.7 million of planned maintenance activities carried out to coincide with MTA 2018, minimising disruptions to production. Included in other gains are fair values on commodity swaps amounting to RM79.5 million for which hedge accounting were not applied due to MFRS 9 restrictions. Income tax benefit of RM45.3 million and RM55.3 million were also recognised on unutilised capital allowances and unused tax losses for the quarter and financial year ended 31 December 2018 respectively.

B2 Financial review for current quarter compared with immediately preceding quarter

	Quarter ended			
	31.12.2018	30.09.2018	**Variance**	
	RM'mil	RM'mil	**RM'mil**	**%**
Revenue	**2,513**	2,067	**446**	**22**
Gross (loss)/profit	**(81)**	5	**(86)**	**>-100**
Loss after taxation	**-**	(122)	**122**	**100**

Higher revenue in the current quarter against the immediately preceding quarter were due to higher production volume in the current quarter. The Brent crude prices resulted in significant decline in the gross loss in the current quarter. Loss after taxation for the current quarter included reversal of impairment and recognition of deferred tax asset on utilised capital allowances and unused tax losses.

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

B3 Current year prospects

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 construction of the new processing unit is underway. Progress is in accordance to plan. The Company continues to focus on the completion of the Euro4M Mogas processing unit to deliver compliant products to its customers.

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
27 February 2019