



HENGYUAN REFINING COMPANY BERHAD

Registration No. 196001000259 (3926-U)
(Incorporated in Malaysia)

In accordance with the approval of the Board of Directors of Hengyuan Refining Company Berhad (“the Company”) dated 16 June 2020 the Board hereby announces its unaudited financial results for the first quarter ended 31 March 2020.

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 2019.



HENGYUAN REFINING COMPANY BERHAD

Registration No. 196001000259 (3926-U)
(Incorporated in Malaysia)

Condensed Statement of Comprehensive Income

	Note	Unaudited Current and cumulative period ended 31.03.2020 RM'000	Unaudited cumulative period ended 31.03.2019 RM'000
Revenue	A8	2,549,347	2,959,957
Purchases		(2,845,394)	(2,776,403)
Gross (loss)/profit		(296,047)	183,554
Other income		1,679	818
Manufacturing expenses		(56,356)	(47,906)
Administrative expenses		(12,676)	(13,553)
Depreciation and amortisation		(29,263)	(36,894)
Other operating gains/(losses)		277,162	(36,573)
Finance cost		(8,132)	(8,754)
(Loss)/profit before taxation	A10	(123,633)	40,692
Taxation	A11	(490)	(19,120)
(Loss)/profit after taxation		(124,123)	21,572
Other comprehensive income/ (expenses)			
<i>Items that will be reclassified to profit or loss:</i>			
Cash flow hedge - net fair value gain/(loss) on derivatives used for hedging (net of tax)		345,746	(67,533)
Cost of hedging reserve (net of tax)		(418)	26,160
<i>Items that will not be reclassified to profit or loss:</i>			
Foreign currency translation differences		-	(29,229)
		345,328	(70,602)
Total comprehensive income/ (expense) for the financial period		221,205	(49,030)
Earnings per share:			
- basic (sen)	A9	(41.37)	7.19
- diluted (sen)	A9	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 2019 and the accompanying supplementary notes to these condensed financial statements.



HENGYUAN REFINING COMPANY BERHAD

Registration No. 196001000259 (3926-U)
(Incorporated in Malaysia)

Condensed Statement of Financial Position

	Note	Unaudited As at <u>31.03.2020</u> RM'000	Audited As at <u>31.12.2019</u> RM'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,921,165	1,919,988
Intangible assets		14,305	14,070
Right-of-use assets		29,078	30,843
Derivative financial assets	A18	3,293	5,087
		<u>1,967,841</u>	<u>1,969,988</u>
CURRENT ASSETS			
Inventories		962,702	1,491,087
Trade receivables		724,876	713,863
Amount due from related companies		14,930	-
Other receivables and prepayments		23,673	18,510
Tax recoverable		2,465	2,208
Derivative financial assets	A18	1,444,263	321,073
Bank balances		341,512	1,135,366
		<u>3,514,421</u>	<u>3,682,107</u>
TOTAL ASSETS		<u>5,482,262</u>	<u>5,652,095</u>
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		300,000	300,000
Retained earnings		1,574,821	1,698,944
Cash flow hedge reserve		521,092	175,346
Cost of hedging reserve		(34,477)	(34,059)
Exchange translation reserve		(128,888)	(128,888)
		<u>2,232,548</u>	<u>2,011,343</u>
CURRENT LIABILITIES			
Trade and other payables		875,938	1,913,426
Amount due to related companies		12,869	23,749
Lease liabilities		7,334	7,336
Derivative financial liabilities	A18	684,157	136,086
Borrowings	A19	754,898	796,054
		<u>2,335,196</u>	<u>2,876,651</u>
NON-CURRENT LIABILITIES			
Derivative financial liabilities	A18	21,887	13,599
Lease liabilities		21,693	23,421
Borrowings	A19	619,541	585,859
Deferred tax liabilities		251,397	141,222
		<u>914,518</u>	<u>764,101</u>
TOTAL EQUITY AND LIABILITIES		<u>5,482,262</u>	<u>5,652,095</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 2019 and the accompanying supplementary notes to these condensed financial statements.



HENGYUAN REFINING COMPANY BERHAD

Registration No. 196001000259 (3926-U)

(Incorporated in Malaysia)

Condensed Statement of Changes in Equity

	Issued and fully paid ordinary shares		Non-distributable			Distributable	Total equity RM'000
	Number of shares '000	Nominal value RM'000	Cash flow hedge reserve RM'000	Cost of hedging reserve RM'000	Exchange translation reserve RM'000	Retained earnings RM'000	
Unaudited							
At 1 January 2020	300,000	300,000	175,346	(34,059)	(128,888)	1,698,944	2,011,343
Net loss for the financial period	-	-	-	-	-	(124,123)	(124,123)
Other comprehensive income/ (expense) for the financial period	-	-	345,746	(418)	-	-	345,328
Total comprehensive income/ (expense) for the financial period	-	-	345,746	(418)	-	(124,123)	221,205
At 31 March 2020	300,000	300,000	521,092	(34,477)	(128,888)	1,574,821	2,232,548
Unaudited							
At 1 January 2019	300,000	300,000	196,512	(32,373)	(107,520)	1,665,040	2,021,659
- as previously stated	-	-	-	-	-	(1,080)	(1,080)
- effects of transitioning to MFRS 16	300,000	300,000	196,512	(32,373)	(107,520)	1,663,960	2,020,579
- as restated	-	-	-	-	-	21,572	21,572
Net profit for the financial period	-	-	(67,533)	26,160	(29,229)	-	(70,602)
Other comprehensive (expense)/income for the financial period	-	-	(67,533)	26,160	(29,229)	21,572	(49,030)
Total comprehensive (expense)/ income for the financial period	-	-	(67,533)	26,160	(29,229)	21,572	(49,030)
At 31 March 2019	300,000	300,000	128,979	(6,213)	(136,749)	1,685,532	1,971,549

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 2019 and the accompanying supplementary notes to these condensed financial statements.



HENGYUAN REFINING COMPANY BERHAD
 Registration No. 196001000259 (3926-U)
 (Incorporated in Malaysia)

Condensed Statement of Cash Flows

	Note	Quarter and cumulative period ended	
		Unaudited <u>31.03.2020</u> RM'000	Unaudited <u>31.03.2019</u> RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before taxation		(123,633)	40,692
Adjustments for:			
Depreciation of property, plant and equipment		26,793	30,877
Depreciation of right-of-use assets		1,884	1,796
Amortisation of intangible assets		586	4,221
Amortisation of term loan commitment fees		34	41
Write off of property, plant and equipment		80	-
Interest expense		8,098	8,713
Interest income		(1,679)	(818)
Net fair value (gain)/loss on derivative financial instruments- unrealised		(111,567)	28,124
Net foreign exchange loss/(gain)-unrealised		72,772	(3,236)
Operating (loss)/profit before changes in working capital		<u>(126,632)</u>	<u>110,410</u>
Changes in working capital:			
Inventories		528,385	(222,223)
Trade, other receivables and amount due from related companies		(27,515)	(159,363)
Trade, other payables and amount due to related companies		<u>(1,068,272)</u>	<u>589,278</u>
Cash (used in)/generated from operating activities		<u>(694,034)</u>	<u>318,102</u>
Interest received		1,679	818
Tax paid		(241)	(417)
Net cash flows (used in)/generated from operating activities		<u>(692,596)</u>	<u>318,503</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(21,532)	(124,836)
Purchase of intangible assets		(821)	-
Proceeds from disposal of property, plant and equipment		-	33
Net cash flows used in investing activities		<u>(22,353)</u>	<u>(124,803)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(639,288)	(1,178,122)
Proceeds from borrowings		541,769	879,501
Repayment of principal portion of lease liabilities		(2,107)	(1,988)
Interest paid		(13,963)	(11,352)
Restricted cash for term loan facilities		67,819	54,541
Net cash flows used in financing activities		<u>(45,770)</u>	<u>(257,420)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(760,719)	(63,720)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		1,036,788	128,033
EFFECTS OF EXCHANGE RATE CHANGES		7,692	(1,687)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	A21	<u>283,761</u>	<u>62,626</u>

The above Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying supplementary notes to these condensed financial statements.



HENGYUAN REFINING COMPANY BERHAD

Registration No. 196001000259 (3926-U)
(Incorporated in Malaysia)

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 2019.

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 2019.

The interim financial report is presented in Ringgit Malaysia (“RM”) and all values are rounded to the nearest thousand (RM’000) except when otherwise indicated.

The financial information presented herein have been prepared in accordance with the accounting policies used in preparing the audited financial statements for the financial year ended 31 December 2019, and for the following standards and interpretation which became effective on 1 January 2020:

(a) Amendments to published standards that are effective for financial periods beginning on or after 1 January 2020

- The Conceptual Framework for Financial Reporting (Revised 2018)
- Amendments to MFRS 101 and MFRS 108 – Definition of Material
- IC Interpretation 23 – Uncertainty over Income Tax Treatments

Adoption of the above standards and interpretations did not have any significant impact on the financial statements.

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

- Amendments to MFRS 101 – Classification of Liabilities as Current or Non-current (effective on or after 1 January 2022)

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



HENGYUAN REFINING COMPANY BERHAD

Registration No. 196001000259 (3926-U)
(Incorporated in Malaysia)

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

A2 Audit report of preceding annual financial statements

The audit report of the Company's financial statements for the financial year ended 31 December 2019 was not subjected to any audit qualification.

A3 Comments about seasonal or cyclical factors

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

A4 Significant events and transactions

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

A5 Critical accounting estimates and judgments

There were no changes in estimates of amounts reported in prior periods that had a material effect in the quarter ended 31 March 2020.

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 quarter ended 31 March 2020.

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.



HENGYUAN REFINING COMPANY BERHAD

Registration No. 196001000259 (3926-U)
(Incorporated in Malaysia)

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

A8 Revenue

	Quarter and cumulative period ended	
	<u>31.03.2020</u> RM'000	<u>31.03.2019</u> RM'000
Sale of oil products		
- Refined	2,548,798	2,959,086
- Crude oil	549	871
	<u>2,549,347</u>	<u>2,959,957</u>

A9 Earnings per share

	Quarter and cumulative period ended	
	<u>31.03.2020</u>	<u>31.03.2019</u>
(a) Basic earnings per share		
Net (loss)/profit for the period (RM'000)	(124,123)	21,572
Weighted average number of ordinary shares in issue ('000)	300,000	300,000
Basic earnings per share (sen)	(41.37)	7.19
(b) Diluted earnings per share (sen)	N/A	N/A



HENGYUAN REFINING COMPANY BERHAD

Registration No. 196001000259 (3926-U)
(Incorporated in Malaysia)

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

A10 (Loss)/profit before taxation

	Quarter and cumulative period ended	
	<u>31.03.2020</u>	<u>31.03.2019</u>
	RM'000	RM'000
<i>(Loss)/profit before taxation is arrived at after (crediting)/ charging:</i>		
Interest income	(1,679)	(818)
Amortisation of term loan commitment fees	34	41
Interest expense	8,098	8,713
Depreciation of property, plant and equipment	26,793	30,877
Depreciation of right-of-use assets	1,884	1,796
Amortisation of intangible assets	586	4,221
Write off of property, plant and equipment	80	-
Foreign exchange loss		
- realised	8,962	5,445
- unrealised	72,772	(3,236)
Fair value (gain)/loss on derivative financial instruments	(472,651)	18,923

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.



HENGYUAN REFINING COMPANY BERHAD
Registration No. 196001000259 (3926-U)
(Incorporated in Malaysia)

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

A11 Taxation

Details of the Company's taxation are as follows:

	Quarter and cumulative period ended	
	<u>31.03.2020</u> RM'000	<u>31.03.2019</u> RM'000
<u>Malaysian Tax</u>		
Tax expense		
- Current tax	-	94
- Deferred tax	490	19,026
	<u>490</u>	<u>19,120</u>

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

	Quarter and cumulative period ended	
	<u>31.03.2020</u> %	<u>31.03.2019</u> %
Applicable tax rate	(24)	24
Tax effects in respect of:		
- Expenses not deductible for tax purpose	8	6
- Effects arising due to difference between functional and tax reporting currency	3	18
- Income not subject to tax	-	(1)
- Deferred tax asset not recognised on unutilised tax losses	13	-
	<u>-</u>	<u>47</u>



HENGYUAN REFINING COMPANY BERHAD
Registration No. 196001000259 (3926-U)
(Incorporated in Malaysia)

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

A12 Dividends

The Company did not declare any dividend for the quarter ended 31 March 2020.

A13 Changes in the composition of the Company

There were no changes in the composition of the Company in the quarter ended 31 March 2020.

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 2019.

A15 Corporate proposal

There were no corporate proposals announced and not completed as at 31 March 2020.

A16 Material litigation

There were no material litigations involving the Company since 31 December 2019.



HENGYUAN REFINING COMPANY BERHAD

Registration No. 196001000259 (3926-U)
(Incorporated in Malaysia)

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

A17 Commodity prices and foreign currency exchange exposures

The Company's margins and financial performance are exposed to the risk of crude and refined product price fluctuations, driven by geopolitical forces and global economic changes. The Company aims to match the average price of its crude oil intake to the planned production of refined oil products in order to mitigate the risks of margin erosion to an acceptable level. The Company may enter into futures, swaps and option derivatives to mitigate margin risks, but only whilst achieving an adequate balance between paper and physical positions.

The Company finances its operations using a mixture of internally generated profits and borrowings. The Company's interest rate risk arises from its borrowings. The Company may enter into swaps in managing this exposure.

The Company is also exposed to foreign currency exchange risks as a result of transactions entered into currencies other than its functional currency. The Company may enter into foreign currency hedge transactions to manage this exposure.

The Company's financial risk management objectives and policies remain similar to that disclosed in the audited financial statements for the financial year ended 31 December 2019.

Derivatives classified within current assets and current liabilities as at 31 March 2020 will mature within the next twelve months. Derivatives classified within non-current assets and liabilities will mature beyond 12 months.



HENGYUAN REFINING COMPANY BERHAD

Registration No. 196001000259 (3926-U)
(Incorporated in Malaysia)

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 31 March 2020.

(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).



HENGYUAN REFINING COMPANY BERHAD
 Registration No. 196001000259 (3926-U)
 (Incorporated in Malaysia)

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

A18 Fair value disclosures (continued)

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

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

	Contract/ Notional amount USD'000	Assets RM'000	(Liabilities) RM'000
<u>Financial assets/(liabilities)</u>			
<u>Level 2</u>			
<u>31.03.2020</u>			
Forward foreign currency contracts	20,000	220	(1,815)
Commodity swap contracts	926,537	755,449	(628,197)
Refining margin swap contracts	321,821	691,887	(54,145)
Interest rate swap contracts	96,250	-	(21,887)
	2,044,658	1,467,595	(1,520,044)
 <u>31.12.2019</u>			
Forward foreign currency contracts	79,753	-	(4,227)
Refining margin and commodity options	365	5,313	(287)
Commodity swap contracts	693,377	103,194	(111,498)
Refining margin swap contracts	357,748	217,653	(20,914)
Interest rate swap contracts	115,000	-	(12,759)
	1,361,243	326,157	(149,487)

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 2019. The fair values were obtained from published rates of counterparties.



HENGYUAN REFINING COMPANY BERHAD
Registration No. 196001000259 (3926-U)
(Incorporated in Malaysia)

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

A19 Borrowings

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

	As at 31.03.2020 RM'000	As at 31.12.2019 RM'000
<u>Secured</u>		
Term loans and revolving credits and overdrafts	1,374,439	1,381,913
Less: Amount repayable within 12 months	(754,898)	(796,054)
Amount repayable after 12 months	619,541	585,859
Currency profile of borrowings:		
- USD	1,349,276	1,381,913
- MYR	25,163	-
	1,374,439	1,381,913

Terms and conditions of the term loans and revolving credits are as disclosed in the audited financial statements for the financial year ended 31 December 2019.



HENGYUAN REFINING COMPANY BERHAD
 Registration No. 196001000259 (3926-U)
 (Incorporated in Malaysia)

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

A20 Changes in liabilities arising from financing activities

(a) Detailed below are changes in liabilities arising from borrowings:

	RM'000	RM'000
As at		
- 1 January 2020	1,381,913	-
- 1 January 2019	-	1,150,632
Proceeds from borrowings	566,932	879,501
Repayment of borrowings (includes interest paid)	(646,524)	(1,188,909)
Non-cash changes:		
- Interest accrued	11,249	10,349
- Amortisation of term loan commitment fees	34	41
- Unrealised foreign exchange loss	60,835	-
- Foreign exchange difference upon translation to presentation currency	-	(15,859)
As at		
- 31 March 2020	1,374,439	-
- 31 March 2019	-	835,755

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

	RM'000	RM'000
As at		
- 1 January 2020	30,757	-
- 1 January 2019	-	36,398
Repayment of principal portion of lease liabilities	(2,107)	(1,988)
Non-cash changes:		
- New lease liabilities recognised	119	10,947
- Interest accrued	258	315
- Foreign exchange difference upon translation to presentation currency	-	(553)
As at		
- 31 March 2020	29,027	-
- 31 March 2019	-	45,119



HENGYUAN REFINING COMPANY BERHAD
Registration No. 196001000259 (3926-U)
(Incorporated in Malaysia)

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

A21 Cash and cash equivalents

	As at <u>31.03.2020</u> RM'000	As at <u>31.03.2019</u> RM'000
Cash and cash equivalents comprise of:		
Bank balances	341,512	83,972
Less: Restricted cash	(32,588)	(21,346)
Less: Overdrafts	(25,163)	-
	<u>283,761</u>	<u>62,626</u>

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

A22 Capital commitments

Capital commitments as at 31 March 2020 are as follows:

	As at <u>31.03.2020</u> RM'000	As at <u>31.12.2019</u> RM'000
Property, plant and equipment		
Approved and contracted for	304,054	291,181
Approved but not contracted for	<u>110,310</u>	<u>185,052</u>

A23 Company's performance

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

A24 Current year prospects

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



HENGYUAN REFINING COMPANY BERHAD

Registration No. 196001000259 (3926-U)
(Incorporated in Malaysia)

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

A25 Related party disclosures

Below are significant related party transactions that are entered into in the normal course of business and have been established under negotiated terms:

	Quarter and cumulative period ended	
	<u>31.03.2020</u> RM'000	<u>31.03.2019</u> RM'000
Transactions with immediate holding company		
- Sale of refined products	<u>89,259</u>	<u>46,989</u>
- Purchase of refined products	<u>(14,788)</u>	<u>(7,002)</u>
- Central management and administrative charges	<u>(2,260)</u>	<u>(2,650)</u>
- Technical advisory support	<u>(6,027)</u>	<u>(3,370)</u>
Transactions with an affiliated company		
- Purchase of refined products	<u>(646)</u>	<u>-</u>



HENGYUAN REFINING COMPANY BERHAD
Registration No. 196001000259 (3926-U)
(Incorporated in Malaysia)

Part B: Additional Information Required by Bursa Malaysia Listing Requirements

B1 Financial review for current quarter and financial period

	Quarter and cumulative period ended			
	<u>31.03.2020</u>	<u>31.03.2019</u>	Variance	%
	RM'mil	RM'mil	RM'mil	
Revenue	2,549	2,960	(411)	-14
Gross profit plus the fair value changes in oil hedges recognised within other gains/(losses)	60	146	(86)	-59
(Loss)/profit after taxation	(124)	22	(146)	-664

The financial performance for the current quarter was impacted by low market refining margins primarily due to:

- a sudden drop in global oil prices resulting from a price war; and
- a significant drop in demand for oil products following the implementation of a Movement Control Order by the Malaysian government in mid-March 2020 to curb the Covid-19 pandemic.

The sales volume for the current quarter stood at 9.9 million barrels, compared to 10.3 million barrels in the comparative quarter. Refining margins were also adversely affected by higher crude premiums and stock holding losses, as the market saw crude prices falling from USD67 to USD32 per barrel. These were cushioned by the effects of both the margin and commodity hedges, which the Company has put in place as part of its risk management measures.

Higher operating expenses for the current quarter is mainly due to planned maintenance activities that were carried out as per schedule. Maintenance charges in Q1 2019 were minimal as the site had just concluded a major turnaround activity in Q4 2018, hence requiring little maintenance work during Q1 2019.

Depreciation and amortisation costs were comparatively lower, having fully depreciated a portion of its property plant and equipment and intangible assets as at the end of FY2019.

The Company recorded forex loss of RM79.1 million (net of fair value gains on the outstanding foreign currency swaps) in the current quarter, as Ringgit Malaysia weakened from RM4.10 to RM4.31 against the US Dollar. The losses are largely attributed to the US Dollar denominated borrowings.

The tax charge for the quarter arose from the effects of deferred tax, as the Company did not fully recognised its tax losses for the current quarter. This takes into account the limitation imposed by the Inland Revenue Board in carrying forward unutilised tax losses beyond seven years.



HENGYUAN REFINING COMPANY BERHAD
Registration No. 196001000259 (3926-U)
(Incorporated in Malaysia)

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

B2 Financial review for current quarter compared with immediately preceding quarter

	Quarter ended		Variance	
	<u>31.03.2020</u> RM'mil	<u>31.12.2019</u> RM'mil	RM'mil	%
Revenue	2,549	3,146	(597)	-19
Gross profit plus the fair value changes in oil hedges recognised within other gains/(losses)	60	70	(10)	-14
(Loss)/profit after taxation	(124)	22	(146)	-664

Revenue and refinery margins for the current quarter against the preceding quarter were lower due to the factors outlined earlier in Section B1. Higher operating expenditure in Q4 2019 is mainly due to the damage repair of the Single Buoy Mooring's underwater valve. Net profit for Q4 2019 included the effects of a partial impairment reversal amounting to RM125.5 million.

B3 Current year prospects

The global market is currently experiencing unprecedented times as the oil industry manoeuvres through a price war and dampened demand for oil products due to travel bans and lockdowns. The recovery of the oil market largely depends on the cooperation between Organization of the Petroleum Exporting Countries (OPEC) and its partners, while global economies slowly re-open with the gradual easing of lockdowns.

Operational efficiency, safety performance, product quality, hydrocarbon hedging and financial risk management continue to remain key areas of focus in optimising the Company's performance.



HENGYUAN REFINING COMPANY BERHAD

Registration No. 196001000259 (3926-U)
(Incorporated in Malaysia)

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

B4 Status of Project Euro 4M Mogas

The Euro 4M Mogas project was expected to be completed in the fourth quarter of 2020. Due to the Covid-19 outbreak and consequent international lockdowns, the project completion is delayed. The delay is not expected to have any significant adverse effects to the Company's operations and its ability to supply to the market.

The Malaysian government mandated the switch to Euro 4M standard for Mogas effective 1 January 2020. The Company has been able to produce some volumes of Euro 4M Mogas based on the plant's existing configuration in fulfilling its supply obligations to customers. Should additional volumes are required by our customers, the Company may choose to meet these orders with internally produced volumes or by purchasing additional volumes from the open market, depending on the commercial viability at the time.

B5 Profit forecast

The Company does not issue any profit forecasts.

BY ORDER OF THE BOARD

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

Kuala Lumpur
16 June 2020