



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 18 August 2020 the Board hereby announces its unaudited financial results for the second quarter ended 30 June 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)
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Condensed Statement of Comprehensive Income

	Note	Unaudited Individual quarter ended <u>30.06.2020</u> RM'000	Unaudited quarter ended <u>30.06.2019</u> RM'000	Unaudited Cumulative period ended <u>30.06.2020</u> RM'000	Unaudited period ended <u>30.06.2019</u> RM'000
Revenue	A8	1,213,813	3,306,340	3,763,160	6,266,297
Purchases		(1,108,024)	(3,171,016)	(3,953,418)	(5,947,419)
Gross profit		105,789	135,324	(190,258)	318,878
Other income		1,743	389	3,422	1,207
Manufacturing expenses		(57,416)	(55,629)	(113,772)	(103,535)
Administrative expenses		(36,330)	(17,464)	(49,006)	(31,017)
Depreciation and amortisation		(30,185)	(38,764)	(59,448)	(75,658)
Other operating gains/(losses)		22,548	(5,141)	299,710	(41,714)
Finance cost		(5,898)	(9,226)	(14,030)	(17,980)
Profit/(loss) before taxation	A10	251	9,489	(123,382)	50,181
Taxation	A11	48,421	(6,213)	47,931	(25,333)
Profit/(loss) after taxation		48,672	3,276	(75,451)	24,848
Other comprehensive income/(expense):					
<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)		(170,544)	113,480	175,202	45,947
Cost of hedging reserve (net of tax)		(1,543)	(48,282)	(1,961)	(22,122)
<i>Items that will not be reclassified to profit or loss:</i>					
Foreign currency translation differences		-	31,475	-	2,246
		(172,087)	96,673	173,241	26,071
Total comprehensive income/(expense) for the financial period		(123,415)	99,949	97,790	50,919
Earnings per share:					
- basic (sen)	A9	16.22	1.09	(25.15)	8.28
- 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 2019 and the accompanying supplementary notes to these condensed financial statements.



HENGYUAN REFINING COMPANY BERHAD

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Condensed Statement of Financial Position

	Note	Unaudited As at 30.06.2020 RM'000	Audited As at <u>31.12.2019</u> RM'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,942,988	1,919,988
Intangible assets		13,687	14,070
Right-of-use assets		27,200	30,843
Derivative financial assets	A18	-	5,087
		<u>1,983,875</u>	<u>1,969,988</u>
CURRENT ASSETS			
Inventories		971,192	1,491,087
Trade receivables		520,853	713,863
Amount due from holding company (trade)		47,853	-
Other receivables and prepayments		21,857	18,510
Tax recoverable		2,333	2,208
Derivative financial assets	A18	719,251	321,073
Bank balances		376,863	1,135,366
		<u>2,660,202</u>	<u>3,682,107</u>
TOTAL ASSETS		<u>4,644,077</u>	<u>5,652,095</u>
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		300,000	300,000
Retained earnings		1,623,493	1,698,944
Cash flow hedge reserve		350,548	175,346
Cost of hedging reserve		(36,020)	(34,059)
Exchange translation reserve		(128,888)	(128,888)
		<u>2,109,133</u>	<u>2,011,343</u>
CURRENT LIABILITIES			
Trade and other payables		887,624	1,913,426
Amount due to related companies		12,076	23,749
Lease liabilities		7,538	7,336
Derivative financial liabilities	A18	245,709	136,086
Borrowings	A19	577,134	796,054
		<u>1,730,081</u>	<u>2,876,651</u>
NON-CURRENT LIABILITIES			
Derivative financial liabilities	A18	22,067	13,599
Lease liabilities		19,663	23,421
Borrowings	A19	616,544	585,859
Deferred tax liabilities		146,589	141,222
		<u>804,863</u>	<u>764,101</u>
TOTAL EQUITY AND LIABILITIES		<u>4,644,077</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.



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Condensed Statement of Changes in Equity

	Issued and fully paid ordinary shares		Non-distributable			Distributable	Total 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	-	-	-	-	-	(75,451)	(75,451)
Other comprehensive income/(expense) for the financial period	-	-	175,202	(1,961)	-	-	173,241
Total comprehensive income/(expense) for the financial period	-	-	175,202	(1,961)	-	(75,451)	97,790
At 30 June 2020	300,000	300,000	350,548	(36,020)	(128,888)	1,623,493	2,109,133



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Condensed Statement of Changes in Equity (continued)

	Issued and fully paid ordinary shares		Non-distributable			Distributable	Total 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 2019							
- as previously stated	300,000	300,000	196,512	(32,373)	(107,520)	1,665,040	2,021,659
- effects of transitioning to MFRS 16	-	-	-	-	-	(1,080)	(1,080)
- as restated	300,000	300,000	196,512	(32,373)	(107,520)	1,663,960	2,020,579
Net profit for the financial period	-	-	-	-	-	24,848	24,848
Other comprehensive income/(expense) for the financial period	-	-	45,947	(22,122)	2,246	-	26,071
Total comprehensive income/(expense) for the financial period	-	-	45,947	(22,122)	2,246	24,848	50,919
At 30 June 2019	<u>300,000</u>	<u>300,000</u>	<u>242,459</u>	<u>(54,495)</u>	<u>(105,274)</u>	<u>1,688,808</u>	<u>2,071,498</u>

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

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Condensed Statement of Cash Flows

	Note	Quarter and cumulative period ended	
		Unaudited 30.06.2020 RM'000	Unaudited 30.06.2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before taxation		(123,382)	50,181
Adjustments for:			
Depreciation of property, plant and equipment		54,484	62,988
Depreciation of right-of-use assets		3,762	4,168
Amortisation of intangible assets		1,202	8,502
Allowance for doubtful debts		26,199	-
Property, plant and equipment written off		80	-
Amortisation of term loan commitment fees		88	82
Interest expense		13,942	17,898
Interest income		(3,422)	(1,174)
Gain on disposal of property, plant and equipment		-	(33)
Net fair value (gain)/loss on derivative financial instruments-unrealised		(46,744)	30,238
Net foreign exchange loss-unrealised		46,392	7,117
Operating (loss)/profit before changes in working capital		(27,399)	179,967
Changes in working capital:			
Inventories		519,895	(614,003)
Trade, other receivables and amount due from related companies		122,919	(273,424)
Trade, other payables and amount due to related companies		(1,052,084)	658,295
Cash used in operating activities		(436,669)	(49,165)
Interest received		3,422	1,174
Tax paid		(161)	(844)
Net cash flows used in operating activities		(433,408)	(48,835)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(66,120)	(319,326)
Purchase of intangible assets		(820)	-
Proceeds from disposal of property, plant and equipment		-	33
Net cash flows used in investing activities		(66,940)	(319,293)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(869,325)	(2,129,368)
Proceeds from borrowings		628,709	2,471,220
Interest paid		(27,867)	(21,162)
Repayment of principal portion of lease liabilities		(4,186)	(4,625)
Restricted cash for term loan facilities		57,306	34,420
Net cash flows (used in)/generated from financing activities		(215,363)	350,485
NET DECREASE IN CASH AND CASH EQUIVALENTS		(715,711)	(17,643)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		1,036,788	128,033
EFFECTS OF EXCHANGE RATE CHANGES		14,514	(967)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	A21	335,591	109,423

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.



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

A1 Basis of preparation

The condensed financial statements are unaudited and have been prepared in accordance with the requirements of 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.



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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

The Movement Restriction Order that was in place for the most part of the current quarter and cumulative period ended 30 June 2020 affected the local demand for oil products. Market average price of oil products were also affected by a drop in global demand due to lockdowns implemented in various countries, adversely affecting oil margins. The effects of these are discussed in more detail in Note B1 of this report.

A5 Critical accounting estimates and judgments

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



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

A8 Revenue

	Quarter ended		Cumulative period ended	
	<u>30.06.2020</u>	<u>30.06.2019</u>	<u>30.06.2020</u>	<u>30.06.2019</u>
	RM'000	RM'000	RM'000	RM'000
Sale of oil products				
- Refined	1,213,661	3,305,695	3,762,459	6,264,781
- Crude oil	152	645	701	1,516
	1,213,813	3,306,340	3,763,160	6,266,297

A9 Earnings per share

	Quarter ended		Cumulative period ended	
	<u>30.06.2020</u>	<u>30.06.2019</u>	<u>30.06.2020</u>	<u>30.06.2019</u>
(a) Basic earnings per share				
Net profit/(loss) for the period (RM'000)	48,672	3,276	(75,451)	24,848
Weighted average number of ordinary shares in issue ('000)	300,000	300,000	300,000	300,000
Basic earnings per share (sen)	16.22	1.09	(25.15)	8.28
(b) Diluted earnings per share (sen)	N/A	N/A	N/A	N/A



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

A10 Profit/(loss) before taxation

	Quarter ended		Cumulative period ended	
	<u>30.06.2020</u>	<u>30.06.2019</u>	<u>30.06.2020</u>	<u>30.06.2019</u>
	RM'000	RM'000	RM'000	RM'000
<i>The profit before taxation is arrived at after (crediting)/charging:</i>				
Interest income	(1,743)	(389)	(3,422)	(1,174)
Gain on disposal of property, plant and equipment	-	-	-	(33)
Amortisation of term loan commitment fees	54	41	88	82
Interest expense	5,844	9,185	13,942	17,898
Depreciation of property, plant and equipment	27,691	32,111	54,484	62,988
Depreciation of right-of-use assets	1,878	2,370	3,762	4,160
Amortisation of intangible assets	616	4,279	1,202	8,502
Allowance for doubtful debts	26,199	-	26,199	-
Foreign exchange loss-realised	11,692	2,219	20,654	7,664
Foreign exchange (gain)/loss- unrealised	(26,381)	10,353	46,392	7,117
Fair value (gain)/loss on derivative financial instruments	(286,017)	(90,788)	(758,668)	(71,865)

Save as disclosed above and in the Condensed Statement of Comprehensive Income, the other items required by Bursa Malaysia Securities Berhad Main Market Listing Requirements, Chapter 9, Appendix 9B are not applicable to the Company.



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

A11 Taxation

Details of the Company’s taxation are as follows:

	Quarter ended		Cumulative period ended	
	<u>30.06.2020</u>	<u>30.06.2019</u>	<u>30.06.2020</u>	<u>30.06.2019</u>
	RM'000	RM'000	RM'000	RM'000
<u>Malaysian Tax</u>				
Current tax	-	55	-	149
Deferred tax	(48,421)	6,158	(47,931)	25,184
	<u>(48,421)</u>	<u>6,213</u>	<u>(47,931)</u>	<u>25,333</u>

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

	Quarter ended		Cumulative period ended	
	<u>30.06.2020</u>	<u>30.06.2019</u>	<u>30.06.2020</u>	<u>30.06.2019</u>
	%	%	%	%
Applicable tax rate	24	24	(24)	24
Tax effects in respect of:				
- Expenses not deductible for tax purpose	>100	92	(10)	21
- (Income not taxable)/ expenses not deductible due to difference between functional and tax reporting currency	>100	(51)	(6)	5
- Deferred tax asset not recognised on unutilised tax losses	>100	-	1	-
	<u>>100</u>	<u>65</u>	<u>(39)</u>	<u>50</u>



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

A12 Dividends

The Company did not declare any dividend for the current quarter and period ended 30 June 2020.

A13 Changes in the composition of the Company

There were no changes in the composition of the Company in the current quarter and period ended 30 June 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 30 June 2020.

A16 Material litigation

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



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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 30 June 2020 will mature within the next twelve months. Derivatives classified within non-current assets and liabilities will mature beyond 12 months.



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

A18 Fair value disclosures

(a) Financial instruments carried at amortised cost:

The carrying amounts of financial assets and liabilities of the Company approximated their fair values as at 30 June 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).



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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>30.06.2020</u>			
Forward priced commodity contracts	43,484	-	(7,018)
Commodity swap contracts	673,386	206,305	(222,024)
Refining margin swap contracts	202,084	512,535	(16,667)
Commodity options	300	411	-
Interest rate swap contracts	96,250	-	(22,067)
	<hr/>	<hr/>	<hr/>
<u>31.12.2019</u>			
Forward foreign currency contracts	79,753	-	(4,227)
Commodity swap contracts	693,377	103,194	(111,498)
Refining margin swap contracts	357,748	217,653	(20,914)
Refining margin and commodity options	365	5,313	(287)
Interest rate swap contracts	115,000	-	(12,759)
	<hr/>	<hr/>	<hr/>

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.



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

A19 Borrowings

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

	As at <u>30.06.2020</u> RM'000	As at <u>31.12.2019</u> RM'000
<u>Secured</u>		
Term loans and revolving credits and overdrafts	1,193,678	1,381,913
Less: Amount repayable within 12 months	(577,134)	(796,054)
Amount repayable after 12 months	<u>616,544</u>	<u>585,859</u>
 Currency profile of borrowings:		
- USD	<u>1,193,678</u>	<u>1,381,913</u>

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.



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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	628,709	2,471,220
Repayment of borrowings (includes interest paid)	(891,584)	(2,149,669)
Non-cash changes:		
- Interest accrued	19,267	20,754
- Amortisation of term loan commitment fees	88	82
- Unrealised foreign exchange loss	55,285	-
- Foreign exchange difference upon translation to presentation currency	-	3,178
As at		
- 30 June 2020	1,193,678	-
- 30 June 2019	-	1,496,197

(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	(4,186)	(4,625)
Non-cash changes:		
- New lease liabilities recognised	119	11,026
- Interest accrued	511	770
- Foreign exchange difference upon translation to presentation currency	-	79
As at		
- 30 June 2020	27,201	-
- 30 June 2019	-	43,648



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

A21 Cash and cash equivalents

	As at <u>30.06.2020</u> RM'000	As at <u>30.06.2019</u> RM'000
Cash and cash equivalents comprise of:		
Bank balances	376,863	151,718
Less: Restricted cash	<u>(41,272)</u>	<u>(42,295)</u>
	<u>335,591</u>	<u>109,423</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 30 June 2020 are as follows:

	As at <u>30.06.2020</u> RM'000	As at <u>31.12.2019</u> RM'000
Property, plant and equipment		
Approved and contracted for	270,886	291,181
Approved but not contracted for	<u>121,464</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.



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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 ended		Financial period ended	
	<u>30.06.2020</u>	<u>30.06.2019</u>	<u>30.06.2020</u>	<u>30.06.2019</u>
	RM'000	RM'000	RM'000	RM'000
Transactions with immediate holding company				
- Sale of refined products	<u>161,071</u>	<u>90,200</u>	<u>250,330</u>	<u>137,189</u>
- Purchase of refined products	<u>(32,323)</u>	<u>(800)</u>	<u>(47,111)</u>	<u>(7,802)</u>
- Central management and administrative charges	<u>-</u>	<u>(3,752)</u>	<u>-</u>	<u>(6,402)</u>
- Technical advisory support	<u>-</u>	<u>(3,081)</u>	<u>-</u>	<u>(6,451)</u>
Transactions with an affiliated company				
- Purchase of refined products	<u>-</u>	<u>-</u>	<u>(646)</u>	<u>-</u>
- Central management and administrative charges	<u>(880)</u>	<u>-</u>	<u>(3,140)</u>	<u>-</u>
- Technical advisory support	<u>(7,352)</u>	<u>-</u>	<u>(13,379)</u>	<u>-</u>



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Part B: Additional Information Required by Bursa Malaysia Listing Requirements

B1 Financial review for current quarter and financial period

	Quarter ended				Cumulative period ended			
	<u>30.06.2020</u>	<u>30.06.2019</u>	Variance		<u>30.06.2020</u>	<u>30.06.2019</u>	Variance	
	RM'mil	RM'mil	RM'mil	%	RM'mil	RM'mil	RM'mil	%
Revenue	1,214	3,306	(2,092)	-63	3,763	6,266	(2,503)	-40
Gross profit plus the fair value changes in oil hedges recognised within other gains/(losses) (Loss)/profit after taxation	112	148	(36)	-24	172	294	(122)	-41
	-	3	3	>-100	(75)	25	(100)	>-100

Revenues for the current quarter and cumulative period ended 30 June 2020 decreased significantly against the comparative periods as market oil product prices were lower by 54% and 32% respectively. Sales volumes for the current quarter and 6-months ended 30 June 2020 were also lower at 8.1 million barrels and 18.0 million barrels respectively, compared to the 10.6 million barrels and 20.9 million barrels recorded in the comparative periods. These resulted from a drop in local demand for oil products following the implementation of the Movement Control Order by the Malaysian government since mid-March 2020. Refining margins were also adversely affected by poor product cracks and stock holding losses, as crude prices fell from USD67 to USD19 per barrel, before settling at USD40 per barrel in June 2020. These were cushioned by the effects of margin and commodity hedges, which the Company has put in place as part of its risk management measures.

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

Net forex gain of RM16.3 million (inclusive of fair value gains on the outstanding foreign currency swaps) was recognised in the current quarter as Ringgit Malaysia marginally strengthened from RM4.31 to RM4.28 against the US Dollar.

Tax effects for the current quarter and cumulative period includes the recognition of deferred tax asset on tax losses previously not recognised, taking into account the availability of future taxable profits against which it can be utilised.



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

B2 Financial review for current quarter compared with immediately preceding quarter

	<u>30.06.2020</u>	<u>Quarter ended</u> <u>31.03.2020</u>	<u>Variance</u>	
	RM'mil	RM'mil	RM'mil	%
Revenue	1,214	2,549	(1,335)	-52
Gross profit plus the fair value changes in oil hedges recognised within other gains/(losses)	112	60	52	86
Profit/(loss) after taxation	49	-124	173	>100

Although the average market prices of oil products for the current quarter were lower than the immediately preceding quarter, oil margins for the quarter improved with the support of margin swap settlements during the current period. Net profit for Q2 2020 included the effects of deferred tax assets on tax losses that were previously not recognised.

B3 Current year prospects

The prospects of the global oil market largely depend on the recovery of global economies with the gradual easing of lockdowns, amidst an anticipation of a second wave of the Covid-19 pandemic and rising geopolitical risks. 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.



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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
18 August 2020