



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 26 February 2021 the Board hereby announces its unaudited financial results for the fourth quarter ended 31 December 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 Individual quarter ended 31.12.2020 RM'000	Unaudited quarter ended 31.12.2019 RM'000	Unaudited Financial year ended 31.12.2020 RM'000	Audited year ended 31.12.2019 RM'000
Revenue	A8	1,824,848	3,145,899	7,176,147	12,637,317
Purchases		(1,548,652)	(3,005,560)	(6,796,240)	(12,103,110)
Gross profit		276,196	140,339	379,907	534,207
Other income		11,487	641	16,404	2,828
Manufacturing expenses		(62,831)	(64,173)	(229,751)	(216,660)
Administrative expenses		(14,051)	(16,738)	(77,540)	(71,225)
Depreciation and amortisation		(30,317)	(30,714)	(119,340)	(144,403)
Other operating gains/(losses)		49,822	(65,831)	308,121	(61,124)
Finance cost		(3,253)	6,589	(22,117)	(22,516)
Reversal of impairment		-	125,513	-	125,513
Profit before taxation	A10	227,053	95,626	255,684	146,620
Taxation	A11	(55,531)	(74,059)	(4,701)	(111,636)
Profit after taxation		171,522	21,567	250,983	34,984
Other comprehensive income:					
<i>Items that will be reclassified to profit or loss:</i>					
Cash flow hedge-net fair value (loss)/gain on derivatives used for hedging (net of tax)		(163,992)	54,149	(125,794)	(21,166)
Cost of hedging reserve (net of tax)		11,746	2,783	31,849	(1,686)
<i>Items that will not be reclassified to profit or loss:</i>					
Foreign currency translation differences		-	(45,362)	-	(21,368)
		(152,246)	11,570	(93,945)	(44,220)
Total comprehensive income for the financial period/year		19,276	33,137	157,038	(9,236)
Earnings per share:					
- basic (sen)	A9	57.17	7.19	83.66	11.66
- 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

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

Condensed Statement of Financial Position

	Note	Unaudited As at <u>31.12.2020</u> RM'000	Audited As at <u>31.12.2019</u> RM'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,994,188	1,919,988
Intangible assets		12,444	14,070
Right-of-use assets		23,444	30,843
Derivative financial assets	A18	-	5,087
		<u>2,030,076</u>	<u>1,969,988</u>
CURRENT ASSETS			
Inventories		1,051,689	1,491,087
Trade receivables		513,451	713,863
Other receivables and prepayments		28,311	18,510
Tax recoverable		2,994	2,208
Derivative financial assets	A18	135,180	321,073
Bank balances		737,198	1,135,366
		<u>2,468,823</u>	<u>3,682,107</u>
TOTAL ASSETS		<u>4,498,899</u>	<u>5,652,095</u>
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		300,000	300,000
Retained earnings		1,949,927	1,698,944
Cash flow hedge reserve		49,552	175,346
Cost of hedging reserve		(2,210)	(34,059)
Exchange translation reserve		(128,888)	(128,888)
		<u>2,168,381</u>	<u>2,011,343</u>
CURRENT LIABILITIES			
Trade and other payables		1,308,516	1,913,426
Amount due to related companies		14,317	23,749
Lease liabilities		7,722	7,336
Derivative financial liabilities	A18	53,638	136,086
Borrowings	A19	250,689	796,054
		<u>1,634,882</u>	<u>2,876,651</u>
NON-CURRENT LIABILITIES			
Derivative financial liabilities	A18	15,886	13,599
Lease liabilities		15,796	23,421
Borrowings	A19	549,118	585,859
Deferred tax liabilities		114,836	141,222
		<u>695,636</u>	<u>764,101</u>
TOTAL EQUITY AND LIABILITIES		<u>4,498,899</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 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 profit for the financial year	-	-	-	-	-	250,983	250,983
Other comprehensive income for the financial year	-	-	(125,794)	31,849	-	-	(93,945)
Total comprehensive income for the financial year	-	-	(125,794)	31,849	-	250,983	157,038
At 31 December 2020	300,000	300,000	49,552	(2,210)	(128,888)	1,949,927	2,168,381



HENGYUAN REFINING COMPANY BERHAD

Registration No. 196001000259 (3926-U)

(Incorporated in Malaysia)

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	
Audited							
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 year	-	-	-	-	-	34,984	34,984
Other comprehensive income for the financial year	-	-	(21,166)	(1,686)	(21,368)	-	(44,220)
Total comprehensive income for the financial year	-	-	(21,166)	(1,686)	(21,368)	34,984	(9,236)
At 31 December 2019	<u>300,000</u>	<u>300,000</u>	<u>175,346</u>	<u>(34,059)</u>	<u>(128,888)</u>	<u>1,698,944</u>	<u>2,011,343</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
 Registration No. 196001000259 (3926-U)
 (Incorporated in Malaysia)

Condensed Statement of Cash Flows

	Note	Financial year ended	
		Unaudited 31.12.2020 RM'000	Audited 31.12.2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		255,684	146,620
Adjustments for:			
Depreciation of property, plant and equipment		109,128	121,849
Depreciation of right-of-use assets		7,518	8,149
Amortisation of intangible assets		2,694	14,405
Allowance for doubtful debts		26,190	-
Allowance for inventories		-	369
Inventories written down		28,110	-
Property, plant and equipment written off		80	2,879
Amortisation of term loan commitment fees		177	166
Interest expense		21,940	22,350
Interest income		(6,217)	(2,262)
Gain on disposal of property, plant and equipment		-	(33)
Gain on modification of lease contracts		-	(533)
Net fair value (gain)/loss on derivative financial instruments- unrealised		(22,453)	48,590
Net foreign exchange loss/(gain)- unrealised		2,230	(1,914)
Reversal of impairment		-	(125,513)
Operating profit before changes in working capital		<u>425,081</u>	<u>235,122</u>
Changes in working capital:			
Inventories		411,288	(263,079)
Trade, other receivables and amount due from related companies		159,285	398,641
Trade, other payables and amount due to related companies		<u>(611,655)</u>	<u>945,172</u>
Cash generated from operations		383,999	1,315,856
Interest received		6,217	2,262
Tax paid		<u>(161)</u>	<u>(1,135)</u>
Net cash flows generated from operating activities		<u>390,055</u>	<u>1,316,983</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(164,029)	(568,328)
Purchase of intangible assets		(1,068)	(5,588)
Proceeds from disposal of property, plant and equipment		-	33
Net cash flows used in investing activities		<u>(165,097)</u>	<u>(573,883)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(1,555,292)	(4,274,544)
Proceeds from borrowings		980,606	4,518,922
Interest paid		(44,493)	(49,961)
Repayment of principal portion of lease liabilities		(8,376)	(9,025)
Restricted cash for term loan facilities		45,223	(22,793)
Net cash flows (used in)/generated from financing activities		<u>(582,332)</u>	<u>162,599</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(357,374)	905,699
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		1,036,788	128,033
EFFECTS OF EXCHANGE RATE CHANGES		4,429	3,056
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	A21	<u>683,843</u>	<u>1,036,788</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

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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 year 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
- Amendments to MFRS 9, 139 & 7 – Interest Rate Benchmark Reform
- 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 116 – Proceeds before Intended Use (effective on or after 1 January 2022)
- Amendments to MFRS 137 – Onerous Contracts: Cost of Fulfilling a Contract (effective on or after 1 January 2022)
- Annual improvements to MFRS 9 – Fees in the 10% test for Derecognition of Financial Liabilities (effective on or after 1 January 2022)
- Amendments to MFRS 101 – Classification of Liabilities as Current or Non-current (effective on or after 1 January 2023)



HENGYUAN REFINING COMPANY BERHAD

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

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

A1 Basis of preparation *(continued)*

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

The financial impact that may arise from the adoption of the above new standard is 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 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

Various phases of the Movement Control Order were in place for the most part of the financial year ended 31 December 2020, resulting in a reduction in the local demand for oil products. Market average price of oil products were also affected by a drop in global demand due to various lockdowns implemented globally, 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 financial year ended 31 December 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 financial year ended 31 December 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		Financial year ended	
	<u>31.12.2020</u>	<u>31.12.2019</u>	<u>31.12.2020</u>	<u>31.12.2019</u>
	RM'000	RM'000	RM'000	RM'000
Sale of oil products				
- Refined	1,824,783	3,145,254	7,175,066	12,634,960
- Crude oil	65	645	1,081	2,357
	<u>1,824,848</u>	<u>3,145,899</u>	<u>7,176,147</u>	<u>12,637,317</u>

A9 Earnings per share

	Quarter ended		Financial year ended	
	<u>31.12.2020</u>	<u>31.12.2019</u>	<u>31.12.2020</u>	<u>31.12.2019</u>
(a) Basic earnings per share				
Net profit for the period/year (RM'000)	171,522	21,567	250,983	34,984
Weighted average number of ordinary shares in issue (`000)	300,000	300,000	300,000	300,000
Basic earnings per share (sen)	57.17	7.19	83.66	11.66
(b) Diluted earnings per share (sen)	N/A	N/A	N/A	N/A



HENGYUAN REFINING COMPANY BERHAD

Registration No. 196001000259 (3926-U)

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

A10 Profit before taxation

	Quarter ended		Financial year ended	
	<u>31.12.2020</u> RM'000	<u>31.12.2019</u> RM'000	<u>31.12.2020</u> RM'000	<u>31.12.2019</u> RM'000
<i>The profit before taxation is arrived at after (crediting)/charging:</i>				
Interest income	(1,300)	(641)	(6,217)	(2,262)
Liquidated damages	(10,187)	-	(10,187)	-
Gain on modification of lease contracts	-	-	-	(533)
Gain on disposal of property, plant and equipment	-	-	-	(33)
Amortisation of term loan commitment fees	14	46	177	166
Interest expense	3,239	(6,635)	21,940	22,350
Depreciation of property, plant and equipment	27,568	26,752	109,128	121,849
Depreciation of right-of-use assets	1,878	1,897	7,518	8,131
Amortisation of intangible assets	871	2,064	2,694	14,405
Amortisation of prepaid lease payments	-	1	-	18
Write-off of property, plant and equipment	-	1,644	80	2,879
Inventories written down	28,110	-	28,110	-
Allowance for inventories	-	369	-	369
Allowance for doubtful debts	(9)	-	26,190	-
Foreign exchange (gain)/loss-realised	(14,994)	(24,127)	(9,970)	14,448
Foreign exchange (gain)/loss- unrealised	(23,315)	5,988	2,230	(1,914)
Fair value (gain)/loss on derivative financial instruments	(200,141)	31,618	(1,124,316)	(49,632)

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 ended		Financial year ended	
	<u>31.12.2020</u>	<u>31.12.2019</u>	<u>31.12.2020</u>	<u>31.12.2019</u>
	RM'000	RM'000	RM'000	RM'000
<u>Malaysian Tax</u>				
Current tax	-	279	-	663
Deferred tax	<u>55,531</u>	<u>73,780</u>	<u>4,701</u>	<u>110,973</u>
	<u>55,531</u>	<u>74,059</u>	<u>4,701</u>	<u>111,636</u>

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

	Quarter ended		Financial year ended	
	<u>31.12.2020</u>	<u>31.12.2019</u>	<u>31.12.2020</u>	<u>31.12.2019</u>
	%	%	%	%
Applicable tax rate	24	24	24	24
Tax effects in respect of:				
- Deferred tax asset not recognized on unutilised tax losses/(Recognition of previously unutilised tax losses)	-	47	(18)	31
- Expenses not deductible for tax purpose	(3)	1	1	5
- Income not subject to tax	-	(16)	-	(2)
- Effects arising due to difference between functional and tax reporting currency	3	24	-	25
- Utilisation of reinvestment allowance previously not recognised	-	-	(4)	-
- Over accrual in prior year	-	(3)	(1)	(7)
	<u>24</u>	<u>77</u>	<u>2</u>	<u>76</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 paid

No dividends were paid during the current quarter and throughout the financial year ended 31 December 2020.

A13 Changes in the composition of the Company

There were no changes in the composition of the Company in the current quarter and financial year ended 31 December 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 December 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 December 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 December 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>31.12.2020</u>			
Forward foreign currency contracts	18,000	57	-
Forward priced commodity contracts	47,414	-	(2,526)
Commodity swap contracts	96,496	56,185	(46,920)
Refining margin swap contracts	59,436	78,938	(4,192)
Interest rate swap contracts	88,750	-	(15,886)
	<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.



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 31.12.2020 RM'000	As at 31.12.2019 RM'000
<u>Secured</u>		
Term loans and revolving credits	799,807	1,381,913
Less: Amount repayable within 12 months	(250,689)	(796,054)
Amount repayable after 12 months	549,118	585,859
Currency profile of borrowings:		
- USD	799,807	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	980,606	4,518,922
Repayment of borrowings (includes interest paid)	(1,588,009)	(4,320,682)
Non-cash changes:		
- Interest accrued	28,464	47,700
- Amortisation of term loan commitment fees	177	166
- Unrealised foreign exchange gains	(3,344)	-
- Foreign exchange difference upon translation to presentation currency	-	(14,825)
As at		
- 31 December 2020	799,807	-
- 31 December 2019	-	1,381,913

(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	(8,376)	(9,025)
Non-cash changes:		
- New lease liabilities recognised	119	11,589
- Modification of lease liability	-	(9,427)
- Interest accrued	1,018	1,545
- Foreign exchange difference upon translation to presentation currency	-	(323)
As at		
- 31 December 2020	23,518	-
- 31 December 2019	-	30,757



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 31.12.2020 RM'000	As at 31.12.2019 RM'000
Cash and cash equivalents comprise of:		
Bank balances	737,198	1,135,366
Less: Restricted cash	(53,355)	(98,578)
	683,843	1,036,788

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 December 2020 are as follows:

	As at 31.12.2020 RM'000	As at 31.12.2019 RM'000
Property, plant and equipment		
Approved and contracted for	185,135	291,181
Approved but not contracted for	97,076	185,052

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 ended		Financial year ended	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Transactions with immediate holding company				
- Sale of refined products	-	114,354	274,791	273,127
- Purchase of refined products	(3,216)	(283)	(58,800)	(8,459)
- Central management and administrative charges	(52)	502*	(52)	(6,084)
- Technical advisory support	-	351**	-	(7,345)
Transactions with an affiliated company				
- Purchase of refined products	-	(5,053)	(646)	(5,053)
- Central management and administrative charges	(3,071)	(1,703)	(8,449)	(3,480)
- Technical advisory support	(4,240)	(6,234)	(24,020)	(10,767)

* Included within central management and administrative charges is an over accrual in prior quarter amounting to RM526,000.

** Included within technical advisory support charges is an over accrual in prior quarter amounting to RM360,000.



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 year ended

	Quarter ended				Financial year ended			
	<u>31.12.2020</u>	<u>31.12.2019</u>	Variance		<u>31.12.2020</u>	<u>31.12.2019</u>	Variance	
	RM'mil	RM'mil	RM'mil	%	RM'mil	RM'mil	RM'mil	%
Revenue	1,825	3,146	(1,321)	-42	7,176	12,637	(5,461)	-43
Gross profit plus the fair value changes in oil hedges recognised within other gains/(losses)	288	64	224	>100	676	490	186	38
Profit after taxation	172	25	147	>100	251	35	216	>100

Revenues for the fourth quarter and financial year ended 31 December 2020 were lower against the comparative periods as market oil product prices were lower by 33% for both comparative periods. Sales volumes for the current quarter and financial year ended 31 December 2020 were also lower at 9.0 million barrels and 35.1 million barrels respectively, compared to the 10.2 million barrels and 41.9 million barrels recorded in the comparative periods. These resulted from a drop in local demand for oil products following the implementation of various phases of Movement Control Order by the Malaysian government since mid-March 2020.

The Company recorded stockholding gains as it realised sales of inventories that were accumulated during Q3 2020 when crude prices were low.

The positive effects of margin and commodity hedges further helped to uplift the gross oil margins, 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 RM38.4 million (inclusive of fair value gains on the outstanding foreign currency swaps) was recognised in the current quarter as Ringgit Malaysia strengthened from RM4.15 to RM4.01 against the US Dollar.

Tax effects for the current quarter and financial year ended include the utilisation of reinvestment allowance and recognition of deferred tax asset on tax losses previously not recognised.



HENGYUAN REFINING COMPANY BERHAD

Registration No. 196001000259 (3926-U)
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Part B: Additional Information Required by Bursa Malaysia Listing Requirements
(continued)

B2 Financial review for current quarter compared with immediate preceding quarter

	Quarter ended		Variance	
	<u>31.12.2020</u> RM'mil	<u>30.09.2020</u> RM'mil	RM'mil	%
Revenue	1,825	1,588	237	15
Gross profit plus the fair value changes in oil hedges recognised within other gains/(losses)	288	216	72	33
Profit after taxation	172	155	17	11

The average market prices of oil products for the current quarter have improved against the margins recorded in the immediate preceding quarter. The positive support from oil margin swaps for the current period resulted in a comparatively higher gross margin and net profit against the previous quarter.

B3 Current year prospects

After a tumultuous year of battling with the Covid-19 pandemic, the latest progress in vaccine development and distribution has fed hopes of demand growth for oil products globally. However, the Organisation of Petroleum Exporting Countries foresees that the market demand continues to be soft throughout 2021, and the oil consumption is not expected to return to pre-pandemic levels until 2022. While the challenges around the oil industry remain unabated, the Company will continue to focus on operational efficiency, product quality, hydrocarbon hedging, and financial risk management in optimising the Company's performance. Apart from that, safety management measures have been rigorously implemented by the Company to curb Covid-19 risks in order to safeguard the health and well-being of all our employees and stakeholders.



HENGYUAN REFINING COMPANY BERHAD

Registration No. 196001000259 (3926-U)
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Part B: Additional Information Required by Bursa Malaysia Listing Requirements
(continued)

B4 Status of Project Euro 4M Mogas

Due to the Covid-19 outbreak and consequent international lockdowns, the Euro 4M Mogas project is expected to be completed in the third quarter of 2021. 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 be 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 Dividend proposed

The Board of Directors has approved and declared a single-tier interim dividend of 4.0 sen per share in respect of the financial year ended 31 December 2020, amounting to approximately RM12,000,000.00, to be payable on 15 April 2021 to shareholders whose names appear on the Record of Depositors on 23 March 2021.

B6 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
26 February 2021