



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 30 May 2022 the Board hereby announces its unaudited financial results for the first quarter ended 31 March 2022.

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 2021.



HENGYUAN REFINING COMPANY BERHAD

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

Condensed Statement of Comprehensive Income

		Unaudited Quarter and cumulative period ended	Unaudited Quarter and cumulative period ended
	Note	31.03.2022	31.03.2021
		RM'000	RM'000
Revenue	A8	4,953,258	2,197,892
Purchases		(4,444,598)	(1,830,192)
Gross profit		508,660	367,700
Other income		9,718	12,243
Manufacturing expenses		(49,052)	(54,195)
Administrative expenses		(14,106)	(13,420)
Depreciation and amortisation		(25,620)	(29,428)
Other operating losses		(338,562)	(244,686)
Finance cost		(5,760)	(4,642)
Profit before taxation	A10	85,278	33,572
Taxation	A11	(37,822)	(17,264)
Profit after taxation		47,456	16,308
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)		(221,944)	(30,220)
Cost of hedging reserve (net of tax)		111,013	892
		(110,931)	(29,328)
Total comprehensive income/(expense) for the financial period		(63,475)	(13,020)
Earnings per share:			
- basic/diluted (sen)	A9	15.82	5.44

The above Condensed Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2021 and the accompanying supplementary notes to these condensed financial statements.



HENGYUAN REFINING COMPANY BERHAD

Registration No. 196001000259 (3926-U)
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Condensed Statement of Financial Position

	Note	Unaudited As at <u>31.03.2022</u> RM'000	Audited As at <u>31.12.2021</u> RM'000
NON-CURRENT ASSETS			
Property, plant and equipment		2,080,281	2,008,877
Intangible assets		9,130	9,802
Right-of-use assets		14,453	16,340
Derivative financial assets	A18	<u>2,976</u>	19
		<u>2,106,840</u>	<u>2,035,038</u>
CURRENT ASSETS			
Inventories		2,679,215	1,572,571
Trade receivables		1,282,719	1,027,713
Other receivables and prepayments		329,794	133,518
Tax recoverable		-	3,051
Derivative financial assets		158,102	21,235
Bank balances		<u>827,804</u>	690,005
		<u>5,277,634</u>	<u>3,448,093</u>
TOTAL ASSETS		<u>7,384,474</u>	<u>5,483,131</u>
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		300,000	300,000
Retained earnings		2,068,055	2,020,599
Cash flow hedge reserve		(299,007)	(77,063)
Cost of hedging reserve		48,335	(62,678)
Exchange translation reserve		<u>(128,888)</u>	<u>(128,888)</u>
		<u>1,988,495</u>	<u>2,051,970</u>
CURRENT LIABILITIES			
Trade and other payables		3,247,997	2,272,212
Amount due to immediate holding company and related company		12,070	11,687
Current tax liabilities		78,674	-
Lease liabilities		8,044	7,996
Contract liabilities		-	4,628
Derivative financial liabilities	A18	525,812	131,183
Borrowings	A19	<u>1,452,913</u>	478,057
		<u>5,325,510</u>	<u>2,905,763</u>
NON-CURRENT LIABILITIES			
Derivative financial liabilities	A18	42,581	96,264
Lease liabilities		6,041	8,105
Borrowings	A19	-	320,240
Deferred tax liabilities		<u>21,847</u>	100,789
		<u>70,469</u>	<u>525,398</u>
TOTAL EQUITY AND LIABILITIES		<u>7,384,474</u>	<u>5,483,131</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 2021 and the accompanying supplementary notes to these condensed financial statements.



HENGYUAN REFINING COMPANY BERHAD

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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 2022	300,000	300,000	(77,063)	(62,678)	(128,888)	2,020,599	2,051,970
Net profit for the financial period	-	-	-	-	-	47,456	47,456
Other comprehensive (expense)/ income for the financial period	-	-	(221,944)	111,013	-	-	(110,931)
Total comprehensive (expense)/ income for the financial period	-	-	(221,944)	111,013	-	47,456	(63,475)
At 31 March 2022	<u>300,000</u>	<u>300,000</u>	<u>(299,007)</u>	<u>48,335</u>	<u>(128,888)</u>	<u>2,068,055</u>	<u>1,988,495</u>
Unaudited							
At 1 January 2021	300,000	300,000	49,552	(2,210)	(128,888)	1,949,927	2,168,381
Net profit for the financial period	-	-	-	-	-	16,308	16,308
Other comprehensive (expense)/ income for the financial period	-	-	(30,220)	892	-	-	(29,328)
Total comprehensive (expense)/ income for the financial period	-	-	(30,220)	892	-	16,308	(13,020)
Transaction with owners							
Dividends paid	-	-	-	-	-	(12,000)	(12,000)
Total transaction with owners	-	-	-	-	-	(12,000)	(12,000)
At 31 March 2021	<u>300,000</u>	<u>300,000</u>	<u>19,332</u>	<u>(1,318)</u>	<u>(128,888)</u>	<u>1,954,235</u>	<u>2,143,361</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 2021 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 31.03.2022 RM'000	Unaudited 31.03.2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		85,278	33,572
Adjustments for:			
Depreciation of property, plant and equipment		23,060	26,881
Depreciation of right-of-use assets		1,888	1,878
Amortisation of intangible assets		672	669
Inventories written down		131,558	3,761
Impairment of receivables		-	318
Amortisation of term loan commitment fee		44	44
Interest expense		5,716	4,598
Interest income		(746)	(1,467)
Net fair value loss/(gain) on derivative financial instruments - unrealised		55,330	(14,280)
Net foreign exchange loss – unrealised		22,203	48,505
Operating profit before changes in working capital		<u>325,003</u>	<u>104,479</u>
Changes in working capital:			
Inventories		(1,238,202)	(162,141)
Trade and other receivables		(449,348)	(256,227)
Trade, other payables and amount due to immediate holding company and related company		913,277	109,712
Cash generated from operating activities		<u>(449,270)</u>	<u>(204,177)</u>
Interest received		746	1,467
Tax paid		(8)	(23)
Net cash flows used in operating activities		<u>(448,532)</u>	<u>(202,733)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		<u>(48,105)</u>	<u>(65,739)</u>
Net cash flows used in investing activities		<u>(48,105)</u>	<u>(65,739)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(114,936)	(376,846)
Proceeds from borrowings		761,959	618,360
Interest paid		(9,868)	(7,198)
Repayment of principal portion of lease liabilities		(2,016)	(2,098)
Restricted cash for term loan facilities		53,437	39,750
Net cash flows generated from financing activities		<u>688,576</u>	<u>271,968</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		191,939	3,496
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		584,536	683,843
EFFECTS OF EXCHANGE RATE CHANGES		(703)	9,216
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	A21	<u>775,772</u>	<u>696,555</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 2021 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 2021.

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 2021.

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 2021, and for the following standards and interpretation which became effective on 1 January 2022:

(a) Amendments to published standards that are effective for financial periods beginning on or after 1 January 2022

- Amendments to MFRS 116 – Proceeds before Intended Use
- Amendments to MFRS 137 – Onerous Contracts: Cost of Fulfilling a Contract
- Annual improvements to MFR 9 – Fees in the 10% test for Derecognition of Financial Liabilities

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 2023)
- Amendments to MFRS 101 – Disclosure of Accounting Policies (effective on or after 1 January 2023)
- Amendments to MFRS Practice Statement 2 “Making Material Judgements” – Disclosure of Accounting Policies (effective on or after 1 January 2023)
- Amendments to MFRS 108 – Definition of Accounting Estimates (effective on or after 1 January 2023)
- Amendments to MFRS 112 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective on or after 1 January 2023)

The Company did not early adopt these amendments to MFRS and the financial impact that may arise from the adoption of the above new standards 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 2021 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 current quarter ended 31 March 2022.

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 ended 31 March 2022.

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 and cumulative period ended	
	<u>31.03.2022</u>	<u>31.03.2021</u>
	RM'000	RM'000
Sale of oil products		
- Refined	4,952,851	2,197,488
- Crude oil	407	404
	<u>4,953,258</u>	<u>2,197,892</u>

A9 Earnings per share

	Quarter and cumulative period ended	
	<u>31.03.2022</u>	<u>31.03.2021</u>
Net profit for the period (RM'000)	47,456	16,308
Weighted average number of ordinary shares in issue ('000)	300,000	300,000
Basic/diluted earnings per share (sen)	15.82	5.44



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

A10 Profit before taxation

	Quarter and cumulative period ended	
	31.03.2022	31.03.2021
	RM'000	RM'000
<i>The profit before taxation is arrived at after (crediting)/charging:</i>		
Interest income	(746)	(1,467)
Liquidated damages	(8,022)	(10,776)
Insurance claims	(950)	-
Amortisation of term loan commitment fees	44	44
Interest expense	5,716	4,598
Depreciation of property, plant and equipment	23,060	26,881
Depreciation of right-of-use assets	1,888	1,878
Amortisation of intangible assets	672	669
Inventories written down	131,558	3,761
Impairment of receivables	-	318
Foreign exchange gain – realised	(12,106)	(7,179)
Foreign exchange loss – unrealised	22,203	48,505
Fair value loss on derivative financial instruments	432,206	128,533

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

A11 Taxation

Details of the Company's taxation are as follows:

	Quarter and cumulative period ended	
	31.03.2022	31.03.2021
	RM'000	RM'000
<u>Malaysian tax</u>		
Current tax	81,733	195
Deferred tax	(43,911)	17,069
	37,822	17,264

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

	Quarter and cumulative period ended	
	31.03.2022	31.03.2021
	%	%
Applicable tax rate	24	(24)
Tax effects in respect of:		
- Expenses not deductible for tax purpose	2	(27)
- Effect of increase in income tax rate	18	-
	44	(51)



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

A12 Dividend paid

The Company did not declare any dividend for the current quarter ended 31 March 2022.

On 26 February 2021, the Board of Directors declared a single-tier interim dividend of RM0.04 per share, amounting to RM12,000,000 in respect of the financial year ended 31 December 2020. The dividend was paid on 15 April 2021 to shareholders registered on the Record of Depositors at the close of business on 23 March 2021.

A13 Changes in the composition of the Company

There were no changes in the composition of the Company in the current quarter ended 31 March 2022.

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 2021.

A15 Corporate proposal

There were no corporate proposals announced and not completed as at 31 March 2022.

A16 Material litigation

There were no material litigations involving the Company since 31 December 2021.



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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 2021.

Derivatives classified within current assets and current liabilities as at 31 March 2022 will mature within the next twelve months. Derivatives classified within non-current assets and liabilities will mature beyond 12 months.

A18 Fair value disclosures

(a) Financial instruments carried at amortised cost:

The carrying amounts of financial assets and liabilities of the Company approximated their fair values as at 31 March 2022.

(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) – Level 2</u>			
<u>31.03.2022</u>			
Forward foreign currency contracts	17,700	16	(92)
Forward priced commodity contracts	121,752	50,092	-
Commodity swap contracts	306,148	65,784	(25,725)
Commodity options contracts	7,647	-	(200,034)
Refining margin swap contracts	291,009	45,186	(339,510)
Interest rate swap contracts	51,250	-	(3,032)
<u>31.12.2021</u>			
Forward foreign currency contracts	76,000	51	(373)
Forward priced commodity contracts	72,228	-	(28,136)
Commodity swap contracts	731	447	-
Commodity options contracts	7,653	1,093	(5,245)
Refining margin swap contracts	280,487	19,663	(187,074)
Interest rate swap contracts	71,875	-	(6,619)

During the current quarter ended 31 March 2022 and financial year ended 31 December 2021, there were no transfer between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurement. 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>31.03.2022</u> RM'000	As at <u>31.12.2021</u> RM'000
<u>Secured</u>		
Term loans, revolving credits and overdrafts	1,452,913	798,297
Less: Amount repayable within 12 months	<u>(1,452,913)</u>	<u>(478,057)</u>
Amount repayable after 12 months	<u>-</u>	<u>320,240</u>
Currency profile of borrowings:		
- USD	1,452,816	798,297
- MYR	97	-
	<u>1,452,913</u>	<u>798,297</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 2021.

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 2022	798,297	-
- 1 January 2021	-	799,807
Proceeds from borrowings	761,959	618,360
Repayment of borrowings (includes interest paid)	<u>(120,877)</u>	<u>(381,128)</u>
Non-cash changes:		
- Interest accrued	5,976	4,286
- Amortisation of term loan commitment fees	44	44
- Unrealised foreign exchange loss	<u>7,514</u>	<u>31,133</u>
As at		
- 31 March 2022	<u>1,452,913</u>	-
- 31 March 2021	<u>-</u>	<u>1,072,502</u>

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

	RM'000	RM'000
As at		
- 1 January 2022	16,101	-
- 1 January 2021	-	23,518
Repayment of lease liabilities	<u>(2,107)</u>	<u>(2,098)</u>
Non-cash changes:		
- Interest expenses	<u>91</u>	<u>170</u>
As at		
- 31 March 2022	<u>14,085</u>	-
- 31 March 2021	<u>-</u>	<u>21,590</u>



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

A21 Cash and cash equivalents

	As at 31.03.2022 RM'000	As at 31.03.2021 RM'000
<u>Cash and cash equivalents comprise of:</u>		
Bank balances	827,901	710,160
Less: Restricted cash	(52,032)	(13,605)
Less: Overdrafts	(97)	-
	<u>775,772</u>	<u>696,555</u>

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

A22 Capital commitments

Capital commitments are as follows:

	As at 31.03.2022 RM'000	As at 31.12.2021 RM'000
<u>Property, plant and equipment</u>		
Approved and contracted for	37,637	117,670
Approved but not contracted for	72,002	93,588

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 and cumulative period ended	
	<u>31.03.2022</u> RM'000	<u>31.03.2021</u> RM'000
Transactions with immediate holding company		
- Freight and freight brokerage services in relation to purchase of crude oil	<u>(455)</u>	<u>(2,397)</u>
- Central management and administrative charges	<u>-</u>	<u>(4)</u>
Transactions with an affiliated company		
- Central management and administrative charges	<u>(2,598)</u>	<u>(2,362)</u>
- Technical advisory support	<u>(4,889)</u>	<u>(5,314)</u>
- Rental of premises	<u>(13)</u>	<u>-</u>



HENGYUAN REFINING COMPANY BERHAD

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Part B: Additional information Required by Bursa Malaysia Listing Requirements

B1 Financial review for current quarter

	Quarter and cumulative period ended			
	<u>31.03.2022</u>	<u>31.03.2021</u>	Variance	%
	RM'mil	RM'mil	RM'mil	
Revenue	4,953	2,198	2,755	>100
Gross profit plus fair value changes in oil hedges recognised within other operating gains/(losses)	180	164	16	10
Profit after taxation	47	16	31	>100

Quarter-on-quarter revenue improved significantly, riding on the back of higher market product price and stronger local demand. The market price during the current quarter and financial period ended 31 March 2022 ("1Q 2022") surged to an average of USD115 per barrel as compared to the average price of USD66 per barrel in the corresponding period in 2021. 1Q 2022 recorded a sales volume of 10.6 million barrels, compared to 1Q 2021 with 8.1 million barrels sold. These resulted in higher revenue at RM5.0 billion in 1Q 2022.

The 1Q 2022 performance was mainly contributed by improved crack for Mogas, Gasoil and Jet Oil fuel, coupled with increase in sales volume as compared to the corresponding period in 1Q 2021.

Lower net foreign exchange loss and lower manufacturing expenses further improved the profit after taxation quarter-on-quarter.

B2 Financial review for current quarter compared with immediate preceding quarter

	<u>31.03.2022</u>	Quarter ended		%
		<u>31.12.2021</u>	Variance	
	RM'mil	RM'mil	RM'mil	
Revenue	4,953	4,057	896	22
Gross profit plus fair value changes in oil hedges recognised within other operating gains/(losses)	180	313	(133)	-42
Profit after taxation	47	180	(133)	-74

The Company's revenue grew by 22% for the quarter under review, driven by the drastic hike in the global oil product price. Nevertheless, lower crack margin and decrease in stockholding gains as compared to 4Q 2021 affected the profitability.



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

B3 Current year prospects

The supply and demand disparities amid geopolitical instability and Covid-19 situation in China are causing uncertainty over the global economic outlook. Coupled with the ongoing Russia-Ukraine war and economic sanctions on Russia, the global oil market remains to be challenging. On the local front, demand is expected to improve as Malaysia is transitioning into endemic phase.

While the Company is cautiously optimistic on the overall market outlook, the Company will closely monitor the current market conditions and will respond accordingly in order to mitigate any undesirable impact on its performance. Internally, the Company will continue to focus on its operational efficiency, product quality, hydrocarbon hedging and financial risk management to optimise the Company's performance. The Company will also remain vigilant over the Covid-19 risks by maintaining rigorous safety management measures.

B4 Status of Project Euro 4 Mogas

The Euro 4 Mogas project is anticipated to be completed in the second quarter of 2022. 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 4 standard for Mogas effective 1 January 2020. The Company has been able to produce some volumes of Euro 4 Mogas based on the plant's existing configuration in fulfilling its supply obligations to customers.

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
30 May 2022