



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 28 February 2023, the Board hereby announces its unaudited financial results for the fourth quarter ended 31 December 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 Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“BMSB”) 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

	Note	Unaudited Individual 31.12.2022 RM'000	Unaudited quarter ended 31.12.2021 RM'000	Unaudited Financial year ended 31.12.2022 RM'000	Audited Financial year ended 31.12.2021 RM'000
Revenue	A8	4,264,080	4,056,640	21,142,293	12,006,040
Purchases		(4,619,985)	(3,786,758)	(20,797,408)	(10,961,386)
Gross (loss)/profit		(355,905)	269,882	344,885	1,044,654
Other income		14,227	9,866	41,011	35,238
Manufacturing expenses		(39,835)	(55,599)	(183,642)	(215,464)
Administrative expenses		(13,077)	(13,782)	(76,031)	(55,224)
Depreciation and amortisation		(32,300)	(25,789)	(112,998)	(115,647)
Other operating (losses)/gains		(31,250)	43,176	(351,518)	(551,965)
Finance cost		(24,636)	2,443	(56,089)	(13,890)
(Loss)/Profit before taxation	A10	(482,776)	230,197	(394,382)	127,702
Taxation	A11	250,674	(50,414)	236,742	(45,030)
(Loss)/Profit after taxation		(232,102)	179,783	(157,640)	82,672
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)		164,260	47,973	(552,055)	(126,615)
Cost of hedging reserve (net of tax)		113,275	3,117	61,522	(60,468)
		277,535	51,090	(490,533)	(187,083)
Total comprehensive income/(expenses) for the financial period/year		45,433	230,873	(648,173)	(104,411)
(Loss)/Earnings per share:					
- basic/diluted (sen)	A9	(77.37)	59.93	(52.55)	27.56

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

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Condensed Statement of Financial Position

	Note	Unaudited As at <u>31.12.2022</u> RM'000	Audited As at <u>31.12.2021</u> RM'000
NON-CURRENT ASSETS			
Property, plant and equipment		2,055,220	2,008,877
Intangible assets		7,369	9,802
Right-of-use assets		8,874	16,340
Derivative financial assets	A18	-	19
Deferred tax assets		290,794	-
		<u>2,362,257</u>	<u>2,035,038</u>
CURRENT ASSETS			
Inventories		1,501,868	1,572,571
Trade receivables	A19	719,416	1,027,713
Other receivables and prepayments		571,899	133,518
Tax recoverable		15,222	3,051
Derivative financial assets	A18	116,530	21,235
Bank balances		1,334,832	690,005
		<u>4,259,767</u>	<u>3,448,093</u>
TOTAL ASSETS		<u>6,622,024</u>	<u>5,483,131</u>
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		300,000	300,000
Retained earnings		1,832,959	2,020,599
Cash flow hedge reserve		(629,118)	(77,063)
Cost of hedging reserve		(1,156)	(62,678)
Exchange translation reserve		(128,888)	(128,888)
		<u>1,373,797</u>	<u>2,051,970</u>
CURRENT LIABILITIES			
Trade and other payables		2,720,572	2,272,212
Amount due to penultimate holding company, immediate holding company and related company		16,419	11,687
Lease liabilities		7,235	7,996
Contract liabilities		1,566	4,628
Derivative financial liabilities	A18	777,336	131,183
Borrowings	A20	1,004,703	478,057
		<u>4,527,831</u>	<u>2,905,763</u>
NON-CURRENT LIABILITIES			
Derivative financial liabilities	A18	115,282	96,264
Lease liabilities		870	8,105
Borrowings	A20	604,244	320,240
Deferred tax liabilities		-	100,789
		<u>720,396</u>	<u>525,398</u>
TOTAL EQUITY AND LIABILITIES		<u>6,622,024</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

Registration No. 196001000259 (3926-U)

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Condensed Statement of Changes in Equity

Note	Issued and fully paid ordinary shares		Non-distributable			Distributable	Total
	Number of shares '000	Share capital 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 loss for the financial year	-	-	-	-	-	(157,640)	(157,640)
Other comprehensive (expenses)/income for the financial year	-	-	(552,055)	61,522	-	-	(490,533)
Total comprehensive (expenses)/income for the financial year	-	-	(552,055)	61,522	-	(157,640)	(648,173)
<u>Transaction with owners</u>							
Dividends paid	-	-	-	-	-	(30,000)	(30,000)
Total transaction with owners	-	-	-	-	-	(30,000)	(30,000)
At 31 December 2022	300,000	300,000	(629,118)	(1,156)	(128,888)	1,832,959	1,373,797

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.



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Condensed Statement of Changes in Equity

Note	Issued and fully paid ordinary shares		Non-distributable			Distributable	Total
	Number of shares '000	Share capital RM'000	Cash flow hedge reserve RM'000	Cost of hedging reserve RM'000	Exchange translation reserve RM'000	Retained earnings RM'000	
<u>Audited</u>							
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 year	-	-	-	-	-	82,672	82,672
Other comprehensive expenses for the financial year	-	-	(126,615)	(60,468)	-	-	(187,083)
Total comprehensive (expenses)/income for the financial year	-	-	(126,615)	(60,468)	-	82,672	(104,411)
<u>Transaction with owners</u>							
Dividends paid	-	-	-	-	-	(12,000)	(12,000)
Total transaction with owners	-	-	-	-	-	(12,000)	(12,000)
At 31 December 2021	<u>300,000</u>	<u>300,000</u>	<u>(77,063)</u>	<u>(62,678)</u>	<u>(128,888)</u>	<u>2,020,599</u>	<u>2,051,970</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

Registration No. 196001000259 (3926-U)
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Condensed Statement of Cash Flows

	Note	Financial year ended	
		Unaudited 31.12.2022 RM'000	Audited 31.12.2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/Profit before taxation		(394,382)	127,702
Adjustments for:			
Depreciation of property, plant and equipment		102,809	105,510
Depreciation of right-of-use assets		7,466	7,453
Amortisation of intangible assets		2,723	2,684
Provision for obsolete inventories		-	2,126
Inventories written down		82,989	13,825
Impairment of receivables		-	318
Impairment of plant and equipment		12,108	-
Amortisation of upfront and commitment fees for borrowings		2,563	177
Interest expense		53,526	13,713
Interest income		(20,471)	(4,972)
Gain on modification of lease contracts		-	(163)
Net fair value (gain)/loss on derivative financial instruments – unrealised		(75,665)	25,950
Net foreign exchange (gain)/loss – unrealised		(126,694)	37,522
Operating profit before changes in working capital		<u>(353,028)</u>	<u>331,845</u>
Changes in working capital:			
Inventories		(12,286)	(536,833)
Trade and other receivables		(129,057)	(620,040)
Trade, other payables, contract liabilities and amounts due to penultimate holding company, immediate holding company and related company		502,633	1,044,064
Cash generated from operating activities		<u>8,262</u>	<u>219,036</u>
Interest received		20,471	4,972
Tax paid		(12,171)	(57)
Net cash flows generated from operating activities		<u>16,562</u>	<u>223,951</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(150,113)	(183,065)
Purchase of intangible assets		(290)	(42)
Net cash flows used in investing activities		<u>(150,403)</u>	<u>(183,107)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(1,840,106)	(1,692,035)
Proceeds from borrowings		2,740,325	1,654,606
Interest paid		(63,048)	(32,981)
Repayment of principal portion of lease liabilities		(7,996)	(7,603)
Restricted cash for borrowing facilities		4,245	(52,114)
Dividends paid	A12	(30,000)	(12,000)
Net cash flows generated from/(used in) financing activities		<u>803,420</u>	<u>(142,127)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		669,579	(101,283)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		584,536	683,843
EFFECTS OF EXCHANGE RATE CHANGES		(20,507)	1,976
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	A22	<u>1,233,608</u>	<u>584,536</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”, paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“BMSB”) and the requirements of the Companies Act 2016 in Malaysia, where applicable.

This unaudited interim financial 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 unaudited 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 MFRS 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 – Disclosure of Accounting Policies (effective on or after 1 January 2023)
- Amendments to MFRS 108 – Definition of Accounting Estimates and Errors (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)
- Amendments to MFRS 101 – Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants (effective on or after 1 January 2024)
- Amendments to MFRS 16 – Lease Liability in a Sale and Leaseback (effective on or after 1 January 2024)

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 and financial year ended 31 December 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 and financial year ended 31 December 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.

**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 ended		Financial year ended	
	<u>31.12.2022</u>	<u>31.12.2021</u>	<u>31.12.2022</u>	<u>31.12.2021</u>
	RM'000	RM'000	RM'000	RM'000
Sale of oil products				
- Refined	4,263,053	4,056,282	21,137,676	11,889,433
- Crude oil	1,027	358	4,617	116,607
	<u>4,264,080</u>	<u>4,056,640</u>	<u>21,142,293</u>	<u>12,006,040</u>

A9 (Loss)/Earnings per share

	Quarter ended		Financial year ended	
	<u>31.12.2022</u>	<u>31.12.2021</u>	<u>31.12.2022</u>	<u>31.12.2021</u>
Net (loss)/profit for the period/year (RM'000)	(232,102)	179,783	(157,640)	82,672
Weighted average number of ordinary shares in issue ('000)	300,000	300,000	300,000	300,000
Basic/diluted (loss)/earnings per share (sen)	(77.37)	59.93	(52.55)	27.56



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

A10 (Loss)/Profit before taxation

	Quarter ended		Financial year ended	
	<u>31.12.2022</u>	<u>31.12.2021</u>	<u>31.12.2022</u>	<u>31.12.2021</u>
	RM'000	RM'000	RM'000	RM'000
<i>The (loss)/profit before taxation is arrived at after (crediting)/charging:</i>				
Interest income	(9,839)	(1,327)	(20,471)	(4,972)
Liquidated damages	(4,388)	(8,004)	(19,590)	(26,331)
Insurance claims	-	(372)	(950)	(3,772)
Gain on modification of lease contracts	-	(163)	-	(163)
Amortisation of upfront and commitment fees for borrowings	1,585	44	2,563	177
Interest expense	23,051	(2,487)	53,526	13,713
Depreciation of property, plant and equipment	29,768	23,297	102,809	105,510
Depreciation of right-of-use assets	1,846	1,819	7,466	7,453
Amortisation of intangible assets	686	673	2,723	2,684
Impairment of plant and equipment	-	-	12,108	-
Inventories written (back)/written down	(65,789)	(862)	82,989	13,825
Provision for obsolete inventories	-	2,126	-	2,126
Impairment of receivables	-	-	-	318
Foreign exchange loss – realised	167,753	7,860	240,628	23,896
Foreign exchange (gain)/loss – unrealised	(193,777)	(8,378)	(126,694)	37,522
Fair value loss on derivative financial instruments	461,939	64,733	1,697,473	535,991

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		Financial year ended	
	<u>31.12.2022</u>	<u>31.12.2021</u>	<u>31.12.2022</u>	<u>31.12.2021</u>
	RM'000	RM'000	RM'000	RM'000
<u>Malaysian tax</u>				
Current tax	(5,175)	-	-	-
Deferred tax	(245,499)	50,414	(236,742)	45,030
	<u>(250,674)</u>	<u>50,414</u>	<u>(236,742)</u>	<u>45,030</u>

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

	Quarter ended		Financial year ended	
	<u>31.12.2022</u>	<u>31.12.2021</u>	<u>31.12.2022</u>	<u>31.12.2021</u>
	%	%	%	%
Applicable tax rate	(24)	24	(24)	24
Tax effects in respect of:				
- Expenses not deductible for tax purposes	(1)	-	7	7
- Effects of increase in income tax rate	-	-	-	-
- Effects of recognition of reinvestment allowance	(27)	(5)	(43)	(8)
- Underprovisions in prior years	-	2	-	12
	<u>(52)</u>	<u>21</u>	<u>(60)</u>	<u>35</u>

A12 Dividend

During the current quarter under review, the Company paid the following dividend in respect of the financial year ended 31 December 2022:

	RM'000
First interim single tier dividend of 10.00 sen per share on 300,000,000 ordinary shares, paid on 25 October 2022.	<u>30,000</u>

There will be no dividend declared during the quarter under review for the financial year ended 31 December 2022.



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

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 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 which was not completed as of 21 February 2023 (being the latest practicable date which shall not be earlier than 7 days from the date of issue of this report).

A16 Material litigation

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

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 that are denominated in 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 December 2022 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 measured at amortised cost approximate their respective fair values as at 31 December 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).

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>31.12.2022</u>			
Forward foreign currency contracts	181,500	-	(12,659)
Commodity swap contracts	119,734	-	(40,158)
Refining margin swap contracts	235,068	116,530	(839,801)
<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 financial year ended 31 December 2022 and 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 the counterparties.



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

A19 Trade receivables

	As at	As at
	<u>31.12.2022</u>	<u>31.12.2021</u>
	RM'000	RM'000
Current	705,739	1,012,356
1 to 30 days past due	12,372	14,220
31 to 180 days past due	630	-
More than 180 days past due	675	26,958
	<u>719,416</u>	<u>1,053,534</u>
Less: Impairment of receivables	-	(25,821)
	<u>719,416</u>	<u>1,027,713</u>

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with reliable payment records and have a low risk of default. None of the Company's trade receivables have been renegotiated during the financial year.

Receivables that are past due but not impaired

The receivable balances are unsecured in nature and are related to customers with good payment history.



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

A20 Borrowings

On 12 September 2022, the refinancing programme undertaken by the Company has been completed with the execution of its refinancing plan via the establishment of:

- (a) An unrated medium term notes programme of up to RM5,000,000,000 in nominal value (“MTN Programme”), which will be issued in tranches over a tenure of 30 years via bought deal or private placement, and
- (b) A multi-currency revolving credit (“RC”) facilities comprising of
 - (i) USD RC facility of up to USD235,000,000, and
 - (ii) MYR RC facility of up to RM250,000,000

The new financing facilities will be utilised towards refinancing of the Company’s existing borrowings, funding of the planned upgrade and maintenance projects and meeting working capital requirements.

As at 31 December 2022, Medium Term Note (“MTN”) Tranche 1 amounting to RM680,000,000 and revolving credit facilities amounting to USD154,000,000 (equivalent to RM677,292,000) and RM250,000,000 have been drawdown. The MTN Tranche 1 is repayable in instalments over a five-years period, whilst the revolving credits are repayable within twelve months.

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

	As at 31.12.2022 RM’000	As at 31.12.2021 RM’000
<u>Secured</u>		
Medium term notes, term loans, revolving credits and overdrafts	1,608,947	798,297
Less: Amount repayable within 12 months	(1,004,703)	(478,057)
Amount repayable after 12 months	604,244	320,240
 Currency profile of borrowings:		
- USD	675,689	798,297
- MYR	933,258	-

Based on the cash flow forecasts for the next twelve months from reporting date which is supported by the Company’s existing credit facilities in place, the Directors are of the views that the Company is able to generate sufficient cash flows for the next twelve months from the reporting date to meet their operation requirements as and when falls due.



HENGYUAN REFINING COMPANY BERHAD

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(Incorporated in Malaysia)

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

A21 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	2,740,325	1,654,606
Repayment of borrowings (includes interest paid)	(1,884,752)	(1,712,218)
Non-cash changes:		
- Interest accrued	49,321	20,016
- Amortisation of upfront and commitment fees for borrowings	2,563	177
- Capitalisation of upfront and commitment fees for borrowings	(7,218)	-
- Unrealised foreign exchange (gain)/loss	(89,589)	35,909
As at		
- 31 December 2022	1,608,947	-
- 31 December 2021	-	798,297

(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	(8,355)	(8,283)
Non-cash changes:		
- Additions	-	524
- Modification on lease contracts	-	(338)
- Interest expenses	359	680
As at		
- 31 December 2022	8,105	-
- 31 December 2021	-	16,101



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

A22 Cash and cash equivalents

	As at 31.12.2022	As at 31.12.2021
	RM'000	RM'000
<u>Cash and cash equivalents comprise of:</u>		
Bank balances	1,334,832	690,005
Less: Restricted cash	(101,224)	(105,469)
	<u>1,233,608</u>	<u>584,536</u>

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

A23 Capital commitments

Capital commitments are as follows:

	As at 31.12.2022	As at 31.12.2021
	RM'000	RM'000
<u>Plant and equipment</u>		
Approved and contracted for	44,414	117,670
Approved but not contracted for	18,763	93,588



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

A24 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	
	<u>31.12.2022</u>	<u>31.12.2021</u>	<u>31.12.2022</u>	<u>31.12.2021</u>
	RM'000	RM'000	RM'000	RM'000
Transactions with immediate holding company				
- Freight and freight brokerage services in relation to purchase of crude oil	<u>-</u>	<u>(2,568)</u>	<u>(455)</u>	<u>(4,965)</u>
- Central management and administrative charges	<u>(541)</u>	<u>-</u>	<u>(2,282)</u>	<u>(38)</u>
Transactions with an affiliated company				
- Central management and administrative charges	<u>(2,795)</u>	<u>(2,220)</u>	<u>(9,972)</u>	<u>(9,676)</u>
- Technical advisory support	<u>(4,991)</u>	<u>(4,932)</u>	<u>(19,801)</u>	<u>(20,655)</u>
- Rental of premises	<u>(60)</u>	<u>-</u>	<u>(151)</u>	<u>-</u>
Transactions with penultimate holding company				
- Technical consultancy and project support services	<u>(2,070)</u>	<u>-</u>	<u>(2,993)</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 year

	Quarter ended				Financial year ended			
	<u>31.12.2022</u>	<u>31.12.2021</u>	Variance	%	<u>31.12.2022</u>	<u>31.12.2021</u>	Variance	%
	RM'mil	RM'mil	RM'mil		RM'mil	RM'mil	RM'mil	
Revenue	4,264	4,057	207	5	21,142	12,006	9,136	76
Gross (loss)/ profit plus fair value changes in oil hedges recognised within other operating (losses)/gains	(393)	313	(706)	>-100	120	554	(434)	-78
(Loss)/Profit after taxation	(232)	180	(412)	>-100	(158)	83	(241)	>-100

The improved quarter-on-quarter revenue was attributed to higher product prices despite the lower volumes sold. Product prices during the current quarter (“4Q 2022”) averaged at USD110 per barrel as compared to USD92 per barrel in the corresponding period in 2021. Lower sales volume in 4Q 2022 was due to scheduled plant maintenance.

Revenue growth for the financial year ended 31 December 2022 (“FY2022”) was supported by higher product prices and sales volume as compared to FY2021. Product prices for the current year averaged at USD125 per barrel as compared to USD79 per barrel in FY2021. FY2022 enjoyed higher sales due to better market demand as compared to FY2021.

4Q 2022 recorded a gross loss of RM393 million as compared to a gross profit of RM313 million in 4Q 2021. The 4Q 2022 profit was affected by the softening of Mogas cracks and scheduled plant maintenance undertaken in the period under review.

For FY2022, the Company recorded a gross profit of RM120 million as compared to RM554 million in FY2021. The lower full year result was caused by adverse Mogas cracks and stockholding losses in the second half of the year. Operating performance in FY2022 was further reduced by the impact of foreign exchange losses and higher finance costs as compared to FY2021 due to the strengthening of USD against RM while the higher finance cost was affected by the rise in interest rates.



HENGYUAN REFINING COMPANY BERHAD

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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

	<u>31.12.2022</u> RM'mil	<u>Quarter ended</u> <u>30.09.2022</u> RM'mil	<u>Variance</u> RM'mil	%
Revenue	4,264	5,031	(767)	-15
Gross loss plus fair value changes in oil hedges recognised within other operating (losses)/gains	(393)	(756)	363	48
Loss after taxation	(232)	(640)	408	64

Revenue fell in the current quarter due to the downward movement in product prices and the lower sales volume because of the scheduled maintenance in the period.

3Q 2022 was significantly affected by lower net refining margins as a result of adverse Mogas cracks compounded by stockholding losses arising from unfavorable conditions in the crude oil markets. Despite continued pressures on Mogas cracks and high crude premium costs, conditions in 4Q 2022 were less harsh than the previous quarter resulting in a lower gross loss of RM393 million in the quarter under review.

B3 Current year prospects

The global oil market continues to be volatile with challenges from both supply and demand side. Ongoing geopolitical risks continue to bring tension and uncertainty to the global oil markets. While the easing of China's Covid-19 restrictions is expected to boost global oil demand, any slowdown in the global economic outlook may neutralize any envisaged positive effects.

The Company is actively monitoring the current market conditions and will continue its efforts to focus on operational efficiency, product quality, hydrocarbon hedging and financial risk management to optimize its performance.

B4 Status of Major Projects

All major projects, namely, Euro 4 Mogas, Euro 5 Gasoil and Hydrogen Manufacturing Unit (H2GEN) have been completed as at the reporting date.

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
28 February 2023