

1. Biggest milestone for Hengyi Industries Sdn Bhd in 2020

a) Starting domestic supply of refined fuel products

Hengyi Industries Sendirian Berhad (Hengyi) started its first supply of petroleum products for domestic market distribution on 15th May 2020 as a part of a commercial agreement signed between Hengyi and Brunei Shell Marketing Company Sendirian Berhad (BSM) on 18th September 2019 signifying a new milestone in maintaining the domestic supply security and reliability.

b) Achieving full load of operation

PMB Refinery and Petrochemical Plant commenced operation in November 2019 with a refinery capacity of 175,000 barrels per day equivalent to a monthly production volume of 650,000 tonnes and yearly production volume of 8 million tonnes per annum (MTPA).

Oil products accounts for 61.3%, aromatics 26%, gas products 11.6% and other by-products 1.1%. Annually speaking, 30% of the products goes to China, 25.9% Australia, 22.4% Singapore, 21.7% for the rest of the world which includes but are not limited to: Philippines, Vietnam and the United States of America. Phase II will focus on polyester products. Hengyi procures crude from a wide range of countries and regions, covering Southeast Asia, Middle East, Mediterranean, West Africa and South America.

2. Impact of COVID-19 pandemic on Hengyi Industries and role in curbing virus.

a) Impact of COVID-19 on the worldwide oil refinery production

The global travel restrictions imposed by various countries meant a sharp drop in terms of demand for jet fuel, gasoline, and diesel market. The global aromatics market also suffered deeply due to a gloomy manufacturing sector. On the other hand, LPG and Naphtha performed relatively well thanks to a robust demand for household fuels and medical products.

b) Strategy in dealing with low demand and prices of oil

Impacted by the pandemic, global crude prices have been falling dramatically. Hengyi imported large amounts of Brunei light crude, the Seria crude, which accounted for 1/4 of the refinery crude imported. Hengyi also drastically reduced the production of jet fuel and gasoline and raised production of other high value-added products. Furthermore, Hengyi took advantage of China's steady market and policy incentives of ensuring a minimum price of gasoline, and exported large volume of non-standard gasoline products. In addition, Hengyi initiated a number of measures to reduce internal cost and increase profits. Finally, Hengyi also does a good job in timing of product sales and inventory management.

c) Implementation of Standard Operating Procedure and Business Continuity Plan

In line with the Ministry of Energy's effort in ensuring the business continuity of the Oil and Gas sector, Hengyi has activated its Standard Operating Procedure and Business Continuity Plan during the COVID-19 pandemic. This is to ensure uninterrupted operation of the plant and protecting the safety and health of all its staffs and contractors.

To contain the virus and keep refinery operation going on smoothly, except for key positions like firefighting, warehouse, etc., Hengyi adopted "work-at-home" approach for part of our local employees while paying them full-time. For those who come to work on PMB, they are required to wear masks (company will provide for free) the whole time, accept body temperature checks, keep social distancing during work, etc. Sanitizers are provided, prevention notices are posted and the dine-in service was replaced with collective take-away services. Hengyi adopted lock-down management over the staff residency blocks for Chinese staff members. Staff members are forbidden to leave residency areas except for weekly shopping by nominated representatives. Staff are forbidden to gather in crowds in residency areas unless they are taking shuttle buses.

d) Donation to the Ministry of Health

As a part of its Corporate Social Responsibility, the company donated USD1 million worth of medical supplies and equipment to assist the Government of Brunei Darussalam in tackling the COVID-19 pandemic. The donation includes 69 units of electric hospital beds and 5 units of ventilators, while the remaining funds were transferred to the Brunei COVID-19 Relief Fund.

3. Hengyi Industries contribution in national development and diversification

a) Economic contribution

PMB Refinery and Petrochemical Plant started operations in November 2019. In Q4 2019, the Department of Economic Planning and Statistics calculated that Hengyi contributed to 2% (BND 110 million) of Brunei Darussalam's GDP.

b) Export

In Q4 2019, Hengyi contributed to 17% of Brunei Darussalam's export value (BND603 million), with a total export of around 680,000 tonnes of petroleum products. In Q1 2020, Hengyi exported 1.8 million tonnes of products valued at BND1.4 billion.

c) Empowering the local enterprises in Brunei through local procurement

Hengyi strives to develop the local industrial resource market, supports local economic development, and helps local enterprises to achieve technological promotion and innovation.

During the construction of the PMB Refinery and Petrochemical Plant, a total of 82 local Brunei companies were awarded project contracts, covering construction materials supply, construction survey services, consultant services, vehicle supply, bus rental, medical service, chemical product supply, cleaning services and tug navigation services.

d) Creating jobs

In line with the Ministry of Energy's "Bruneianisation Directives" for the Oil and Gas sector that was introduced in June 2018, Hengyi is committed in providing opportunities for local employment and businesses. The refinery aims to employ 40% locals in its first year of operation. As of the end of November 2020, there were 617 local employees.

e) Increase business opportunities

Hengyi has signed Implementation Agreement (IA) with the Ministry of Energy, which sets detailed requirements for local business and spinoffs opportunities. The project is expected to create further spin-off activities for local businesses such as engineering, apartment rental, catering and transportation and logistics.

4. In terms of employment, how did Hengyi Industries play its role in helping train local talents and also provide employment opportunities for local?

a) Scholarship program

Currently, Hengyi Industries Sendirian Berhad has initiated two scholarship collaboration with local institutions and overseas institution namely UBD - Zhejiang University joint program and IBTE - Lanzhou Petrochemical College joint program and has plans to initiate another cooperative school programme in PB - Lanzhou Petrochemical College joint program.

The collaboration programme between UBD and Zhejiang University is Bachelor of Chemical & Process Engineering, in which students will study 2 years at UBD, 1 year at Zhejiang University and 6 months each of workshop practice and industrial placement in Hengyi Industries Refinery Plant. There are currently 7 batches and 68 graduates have been employed.

For the IBTE and Lanzhou Petrochemical College collaboration, the programme name is Diploma in Refinery Operator, which consists of 1 year at IBTE, 1 year at Lanzhou Petrochemical College and 1 year industrial placement at Hengyi Industries. There have been 3 batches with 100 employed graduates. Another programme, Diploma in Control and Automation Engineering is planned for July 2021.

Whereas for PB, there are 7 programs in planning: Diploma in Lab Technology, Diploma in Chemical Engineering, Diploma in Chemical Equipment Technology, Diploma in Water Treatment Technology, Diploma in Storage and Transportation Technology for Oil and Gas, Diploma in Thermal Power Plant, and Diploma in Power Plant and Power System. Lab Technology started in July 2020, Chemical Engineering will start in January 2021 while the rest are planned for July 2021.

b) Mentorship program

The company have adopted a "mentorship mechanism" in all the production related departments whereby experienced Chinese staff members will teach, mentor and help their local counterparts in a systematic way to raise their operating skills and operate independently in the future.

c) Internship program for newly joined operators

Hengyi Industries supports internship program from local universities. Each year, Hengyi industries takes 10-15 students for their internship placement from UTB and UBD for their discovery year programme.