

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

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**HENGYUAN REFINING COMPANY BERHAD**

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

**Part A**

- **CIRCULAR TO SHAREHOLDERS IN RELATION TO THE PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

**Part B**

- **STATEMENT IN RELATION TO THE PROPOSED SHARE BUY-BACK AUTHORITY FOR HENGYUAN REFINING COMPANY BERHAD TO PURCHASE ITS OWN SHARES**

**Part C**

- **STATEMENT IN RELATION TO THE PROPOSED AMENDMENT OF THE CONSTITUTION OF THE COMPANY**

The Notice of the Sixty-First Annual General Meeting ("61<sup>st</sup> AGM") of HENGYUAN REFINING COMPANY BERHAD, the Proxy Form and the Administrative Guide for the Company's 61<sup>st</sup> AGM is sent to you together with this Circular. The AGM will be held entirely through live streaming from the broadcast venue at **Tricor Leadership Room, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia ("Broadcast Venue")** on **Tuesday, 23 June 2020 at 10.00 a.m.**

Shareholders **will not be allowed** to attend the 61<sup>st</sup> AGM in person at the Broadcast Venue on the day of the meeting. Shareholders are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at the 61<sup>st</sup> AGM via the Remote Participation and Voting facilities ("RPV") provided by Tricor Investor & Issuing House Services Sdn. Bhd. via its **TIH Online website at <https://tiih.online>**. Please refer to the "Procedures for RPV" in the Administrative Guide for the Company's 61<sup>st</sup> AGM for further information on how to participate remotely via RPV.

Shareholders who appoint proxies to participate via RPV in the 61<sup>st</sup> AGM are requested to complete, sign and return the **original** Proxy Form in accordance with the instructions contained therein as soon as possible and in any event so as to arrive at the office of the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not later than 48 hours before the time fixed for convening the AGM.

Last day and time for lodging the Proxy Form

: Sunday, 21 June 2020 at 10.00 a.m.

Date and time of the Annual General Meeting

: Tuesday, 23 June 2020 at 10.00 a.m.

The proxy appointment may also be lodged electronically via Tricor's TIIH Online website at <https://tiih.online> no later than 21 June 2020 at 10.00 a.m. For further information on the electronic lodgement of the Proxy Form, kindly refer to the Administrative Guide for the Company's 61<sup>st</sup> AGM.

**This Circular is dated 22 May 2020**

## DEFINITIONS

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**Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-**

Act	- The Companies Act 2016, including all amendments thereto and any re-enactment thereof.
AGM or “Meeting”	- Annual General Meeting of the Company.
Board Audit Committee	- The Audit Committee of the Company.
Board of Directors or “Board”	- Board of Directors of the Company.
Broadcast Venue	- Tricor Leadership Room, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.
Bursa Securities	- Bursa Malaysia Securities Berhad (Registration No.: 200301033577 (635998-W)).
Constitution	The constitution of the Company, as amended from time to time.
Director or Directors	<p>- Shall have the meaning given in section 2(1) of the Capital Markets and Services Act 2007 and includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon:</p> <p>(i) a director of the Company, its subsidiary or holding company; or</p> <p>(ii) a chief executive of the Company, its subsidiary or holding company.</p>
EPS	- Earnings per share.
Existing Shareholders’ Mandate	- The shareholders’ mandate for the Company to enter into recurrent related party transactions with the Related Parties of a revenue or trading nature for which approval from the shareholders was previously obtained during the Sixtieth AGM held on 28 May 2019 and such authority shall expire at the conclusion of the Sixty-First AGM.
HISB	- Hengyuan International Sdn. Bhd. (Registration No.: 201801032124 (1294149-A), a company incorporated under the laws of Malaysia. HISB is a wholly-owned subsidiary of HYHL.
HRC or “the Company”	- Hengyuan Refining Company Berhad (Registration No.: 196001000259 (3926-U), a company incorporated under the laws of Malaysia.
HRC Shares	- Ordinary share(s) of the Company.
HYHL	Heng Yuan Holdings Limited (Company No.: 1801608), a company incorporated under the laws of Hong Kong. HYHL is a wholly-owned subsidiary of SHPCL.
Listing Requirements	- The Main Market Listing Requirements of Bursa Securities including all amendments thereto.
LPD	- 4 May 2020, being the latest practicable date prior to the printing of this Circular.

Major Shareholder(s)	<ul style="list-style-type: none"> <li>- A person who has an interest or interests in one or more voting shares in the Company and the number or aggregate number of those shares, is: <ul style="list-style-type: none"> <li>(a) equal to or more than 10% of the total number of voting shares in the Company; or</li> <li>(b) equal to or more than 5% of the total number of voting shares in the Company where such person is the largest shareholder of the Company.</li> </ul> </li> </ul> <p>This includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon a Major Shareholder of the Company.</p> <p>For the purposes of this definition, “interest in shares” shall have the meaning given in Section 8 of the Act.</p>
Management	<ul style="list-style-type: none"> <li>- The management of the Company.</li> </ul>
MHIL	Malaysia Hengyuan International Limited (Company No: LL12508), a company incorporated under the laws of the Federal Territory of Labuan, Malaysia. MHIL is a wholly-owned subsidiary of HYHL and a Major Shareholder with an equity stake of 51.02% in HRC.
Notice	<ul style="list-style-type: none"> <li>- The Notice convening the AGM of the Company which is sent together with this Circular.</li> </ul>
Proposed Amendment	<ul style="list-style-type: none"> <li>- The Proposed Amendment of the Constitution of the Company as set out in Part C of this Circular.</li> </ul>
Proposed Renewal of Existing Shareholders’ Mandate	Proposed renewal of existing shareholders’ mandate for RRPT which may or will be entered into, as set out in Section 2.2.2 of Part A of this Circular.
Proposed Share Buy-Back	<ul style="list-style-type: none"> <li>- The proposed share buy-back by the Company of up to ten percent (10%) of its issued shares.</li> </ul>
Proposed Share Buy-Back Authority	<ul style="list-style-type: none"> <li>- The proposed share buy-back authority for the Company to purchase up to ten percent (10%) of its issued shares.</li> </ul>
Recurrent Transactions or Recurrent Related Party Transactions or RRPT	<ul style="list-style-type: none"> <li>- Related party transactions involving recurrent transactions of a revenue or trading nature which are necessary for the Company’s day-to-day operations and are in the ordinary course of business of the Company.</li> </ul>
Related Party(ies)	<ul style="list-style-type: none"> <li>- A Director, Major Shareholder or person(s) connected with such Director or Major Shareholder of the Company.</li> </ul>
RM and Sen	<ul style="list-style-type: none"> <li>- Ringgit Malaysia and Sen respectively.</li> </ul>
RPV	<ul style="list-style-type: none"> <li>- Remote participation and voting facilities provided by Tricor Investor &amp; Issuing House Services Sdn. Bhd. via its TIIH Online website at <a href="https://tiih.online">https://tiih.online</a>.</li> </ul>
SHPCL	<ul style="list-style-type: none"> <li>- Shandong Hengyuan Petrochemical Company Limited (Company Reg No: 913700001676531851), a company incorporated under the laws of the People’s Republic of China.</li> </ul>
SHPCL and its Subsidiaries	<ul style="list-style-type: none"> <li>- SHPCL and its subsidiary companies, including SHPCL, HYHL, MHIL and HISB.</li> </ul>

- Substantial Shareholder(s) - As defined in the Act and shall mean a person who has an interest in one or more voting shares in the Company and the number of the aggregate number of such shares is not less than 5% of the total number of all the voting shares included in the Company.
- 2019 Annual Report - Annual Report of the Company for the financial year ended 31 December 2019.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include corporations.

Any reference in this Circular to any enactment is a reference to that enactment for the time being amended or re-enacted.

Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise stated.

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## **PART A**

**CIRCULAR TO SHAREHOLDERS IN RELATION TO THE PROPOSED  
RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT  
RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING  
NATURE**

**HENGYUAN REFINING COMPANY BERHAD**  
(Registration No.: 196001000259 (3926-U))  
(Incorporated in Malaysia)

**Registered Office:-**

UNIT 30-01, LEVEL 30, TOWER A  
VERTICAL BUSINESS SUITE  
AVENUE 3, BANGSAR SOUTH  
NO. 8, JALAN KERINCHI  
59200 KUALA LUMPUR

22 May 2020

**Board of Directors:-**

**Mr. Wang YouDe**

*(Chairman, Non-Independent Non-Executive Director)*

**Mr. Wang ZongQuan**

*(Deputy Chairman, Non-Independent Non-Executive Director)*

**Mr. Alan Hamzah Sendut**

*(Independent Non-Executive Director)*

**Puan Fauziah Hisham**

*(Independent Non-Executive Director)*

**Mr. Liang Kok Siang**

*(Independent Non-Executive Director)*

**Mr. Surinderdeep Singh A/L Mohindar Singh**

*(Independent Non-Executive Director)*

**To: The Shareholders of Hengyuan Refining Company Berhad**

Dear Sir/Madam,

**PROPOSED RENEWAL OF EXISTING SHAREHOLDER'S MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

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**1. INTRODUCTION**

At the Sixtieth AGM held on 28 May 2019, the Company had obtained a mandate from its shareholders to enter into RRPT with the Related Parties. The Existing Shareholders' Mandate will expire at the conclusion of the forthcoming Sixty-First AGM scheduled to be held on 23 June 2020.

The Company has on 26 March 2020 announced its intention to seek shareholders' approval for the Proposed Renewal of Existing Shareholder's Mandate for RRPT with the Related Parties as set out in Section 2.2.2 of this Circular; and

The purpose of this Circular is to:-

- (a) provide you with details of the Proposed Renewal of Existing Shareholders' Mandate to be entered into by the Company and its Related Parties as set out in the Notice together with our Board's recommendation; and
- (b) seek your approval for the ordinary resolution in relation to the Proposed Renewal of Existing Shareholders' Mandate to be tabled at the forthcoming AGM.

The Notice and the Proxy Form have been sent to you together with this Circular.

## **2. PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE**

### **2.1 Provisions under the Listing Requirements**

Under Paragraph 10.09(2) of the Listing Requirements, a listed company may seek shareholders' mandate in respect of related party transactions involving recurrent transactions of a revenue or trading nature which are necessary for its day-to-day operations subject to, *inter alia*, the following:-

- (i) the transactions are in the ordinary course of business and are on terms not more favourable to the Related Parties than those generally available to the public;
- (ii) the shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year where the aggregate value is equal to or more than the prescribed threshold as follows:-
  - (a) the consideration, value of the assets, capital outlay or costs of the recurrent transaction is equal to or exceeds RM1 million; or
  - (b) the percentage ratio of such recurrent transaction is equal to or exceeds one percent (1%),  
  
whichever is the higher;
- (iii) in a meeting to obtain shareholders' mandate, the interested Director, interested Major Shareholder or interested person connected with such Director or Major Shareholder; and where it involves the interest of an interested person connected with a Director or Major Shareholder, such Director or Major Shareholder must comply with the requirements set out in paragraph 10.08(7) of Chapter 10 of the Listing Requirements; and
- (iv) the listed company immediately announces to Bursa Securities when the actual value of a Recurrent Related Party Transaction entered into by the listed company, exceeds the estimated value of the Recurrent Related Party Transaction disclosed in the Circular by 10% or more and must include the information as may be prescribed by Bursa Securities in its announcement.

The Proposed Renewal of Existing Shareholders' Mandate is subject to annual renewal. In this respect, any authority conferred by the Proposed Renewal of Existing Shareholders' Mandate shall only continue to be in force until:-

- (a) the conclusion of the next AGM of the Company following the AGM at which the Proposed Renewal of Existing Shareholders' Mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or
- (b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 340 of the Act; or
- (c) revoked or varied by resolution passed by the shareholders in a general meeting,  
  
whichever is the earlier.

### **Business of the Company and Details of the Recurrent Related Party Transactions**

The principal activity of the Company is the refining and manufacturing of petroleum products. The Company has no subsidiary company.

The details of RRPT concluded during the last financial year ended 31 December 2019 are disclosed in the 2019 Annual Report that is sent together with this Circular. Please refer to “Disclosure of Recurrent Related Party Transactions” in the 2019 Annual Report for further information.

The transactions within the classes of Related Parties are set out in section 2.2 below and such transactions are entered into on terms which are not more favourable to the Related Parties than those generally available to the public and which will not be to the detriment of the Company’s minority shareholders. The RRPT will also be subjected to the review procedures set out in section 2.4 below.

## 2.2 CLASS AND NATURE OF RRPT

### 2.2.1 *Classes of Related Parties*

The general transactions entered into by the Company with SHPCL and its Subsidiaries, which includes SHPCL, HYHL, MHIL and HISB, relates to the provision of or the obtaining of products and services to or from the Related Parties which are necessary for its day to day operations.

No.	Related Party	Principal Activities	Relationship
1.	Shandong Hengyuan Petrochemical Company Limited (“ <b>SHPCL</b> ”)	Manufacturing of petrochemicals and the development, production, process and marketing of petroleum products.	SHPCL has an indirect interest in the Company through its wholly-owned subsidiary, Heng Yuan Holdings Limited (“ <b>HYHL</b> ”), and HYHL’s wholly-owned subsidiary, MHIL.
2.	Heng Yuan Holdings Limited (“ <b>HYHL</b> ”)	Investment holding company.	HYHL has an indirect interest in the Company through its wholly-owned subsidiary, MHIL.
3.	Malaysia Hengyuan International Limited (“ <b>MHIL</b> ”)	Investment holding company, provision of central management, business support/administrative services and technical and Research & Development (“ <b>R&amp;D</b> ”) advisory/consultancy services, oil trading and related activities.	MHIL is a Major Shareholder of the Company.
4.	Hengyuan International Sdn. Bhd (“ <b>HISB</b> ”)	Provision of central management, business support/administrative services and technical and R&D advisory/consultancy services, provision of oil products price risk management services, oil and petroleum products trading and related activities.	HISB is a company related to HRC by virtue of it being a wholly-owned subsidiary of HYHL. HISB and MHIL (a Major Shareholder of the Company) are both wholly-owned subsidiaries of HYHL.

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### 2.2.2 Nature of RRPT and Renewal of Existing Shareholders' Mandate

The nature of the Recurrent Transactions between the Company and the following Related Parties with whom the RRPT are carried out with under the Existing Shareholders' Mandate, and details of the proposed renewal for which the Company wishes to obtain its shareholders' approval are set out below:

Related Party	Nature of Transaction	Estimated value under the Existing Shareholders' Mandate (RM)	Actual value from 28/05/2019 (the date of last AGM) to LPD (RM)	Estimated value <sup>(i)</sup> from 23/6/2020 (the date of this AGM) to the date of the Sixty-Second AGM (RM)
SHPCL and its Subsidiaries, which include SHPCL, HYHL, MHIL and HISB.	Sale of petroleum products and crude oil by HRC <sup>(ii)</sup>	6,300,000,000	343,317,522	6,300,000,000
	Purchase of petroleum products and crude oil by HRC <sup>(ii)</sup>	5,040,000,000	42,930,343	5,040,000,000
	Provision of central management, business support, administrative services and oil and oil products risk management services to HRC	11,000,000	8,130,294	11,000,000
	Provision of technical advisory and consultancy services and research and development advisory services to HRC	25,600,000	17,201,017	25,600,000
<b>TOTAL</b>		11,376,600,000	411,579,176	11,376,600,000

#### Notes:

- (i) The estimated values of the RRPT are based on information available at the point of estimation based on the Company's business forecast for 2020-2021. Due to the nature of the RRPT and factors that may not be within the Company's control, the actual value of RRPT may vary from the estimated values disclosed above.
- (ii) Hydrocarbon sales and purchases are conducted on an arms-length basis where pricing for each transaction is determined competitively in the market. The transaction amount includes ancillary charges for freight, logistic and tankage services, which are typically included in the invoice.
- (iii) Consultancy services are provided based on unit rates, benchmarked against market and conducted under service level agreements wherever possible.

### 2.2.3 Amount Due and Owing to the Company by Related Parties

As at 31 December 2019, there is no amount due and outstanding by Related Parties under the RRPT which exceeded the credit term.

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## 2.3 RATIONALE AND BENEFITS OF TRANSACTING WITH THE RELATED PARTIES

The RRPT entered, or to be entered into by the Company are all in the ordinary course of business of the Company. They are recurring transactions of a revenue or trading nature that are likely to occur with some degree of frequency and arise at any time, as well as from time to time. As part of an international group of companies where similar businesses are conducted, transactions in respect of goods and / or services are likely to occur to take advantage of quality assured products and services, lower operating costs and improved efficiency such as through economies of scale, better utilisation of resources and standardisation of processes and technology.

The benefits of these RRPT to the Company can be categorised generally as follows:

### (i) Trading Transactions for Crude Oil and Petroleum Products

The principal activity of the Company is refining and manufacturing petroleum products. The Related Parties under this category are involved in activities of a complementary nature, which consist primarily of the trading, supply and distribution of crude oil and petroleum products on a large scale. It is therefore in the interests of the Company to transact with these Related Parties in order to enjoy synergistic benefits.

### (ii) Operating Services

The RRPT under this category comprise transactions, which if not with a Related Party would not have been entered into by the Company due to industry sensitivities regarding confidentiality and trade secrets. These industry constraints prevent the Company from contracting with parties other than Related Parties in respect of the activities covered by this category of RRPT. Hence, this category of RRPT represents business opportunities that the Company is in a position to profit from specifically by reason of it transacting with a Related Party.

These RRPT may be constrained by the time-sensitive nature and confidentiality of such transactions and it will be impractical to seek shareholders' approval on a case-by-case basis before entering into such RRPT. As such the Board of Directors is seeking approval from the shareholders for the Proposed Renewal of Existing Shareholders' Mandate, pursuant to the Listing Requirements for the RRPT described above, to allow and facilitate the Company in entering the same on terms which are not more favourable to the Related Parties than those generally available to the public and which are not to the detriment of the Company's minority shareholders.

The obtaining of the Proposed Renewal of Existing Shareholders' Mandate on an annual basis would eliminate the need to announce and / or convene separate general meetings from time to time to seek shareholders' approval as and when potential RRPT arise, thereby reducing substantially the expenses and administrative time in convening such meetings without compromising the Company's business objectives, and would enable the Company and the Related Parties to carry out recurrent routine transactions necessary for day-to-day operations in a timely manner, and allow resources to be channelled towards attaining other corporate objectives.

## 2.4 REVIEW METHODS OR PROCEDURES FOR RECURRENT RELATED PARTY TRANSACTIONS

To ensure that such RRPT are undertaken on terms which are not more favourable to the Related Parties than those generally available to the public and which are not to the detriment of the Company's minority shareholders, Management will ensure that the RRPT with the Related Parties will only be entered into taking into account the following procedures:-

- Ongoing awareness sessions with employees, stakeholders, and Related Parties to notify that all RRPT entered are subject to the Listing Requirements. All heads of departments in the Company are advised to report on all transactions with Related Parties.
- A register is maintained to record all transactions with Related Parties which are entered into pursuant to the Proposed Renewal of Existing Shareholders' Mandate.

- All transactions with Related Parties are to be negotiated and benchmarked with non-Related Party pricing and subsequently presented, reviewed and approved by a sub-committee (Contracts Board) set up by the Management.
- The Company's local and regional tender panels and / or the Board tender committee ("**Tender Panels**") would then review the appropriate benchmarking (against at least 2 other contemporaneous transactions with non-Related Parties for similar products / services and / or quantities) during the commercial evaluation of the proposals for all contracts with Related Parties to determine whether the price and terms offered to / by the related parties are fair and reasonable and comparable to those offered to / by other unrelated third parties for the same or substantially similar type of produces / services and / or quantities. In the event that such comparison cannot be obtained from non-Related Parties, the Tender Panels would review the market information available, sourcing strategy applied and expected unquantifiable benefits to determine whether an arms-length approach has been used to select the Related Party vendor to ensure that the Recurrent Related Party Transaction is not detrimental to the Company.
- The threshold for the approval of Recurrent Related Party Transaction is set out in the Company's detailed business and corporate Manual of Authorities as approved by the Board. RRPT above RM1,000,000 requires the approval of the Tender Panels. Any non-mandated RRPT that equals or exceeds 1% of the Company's net assets will be reviewed and approved by the Board.
- The annual internal audit plan shall incorporate a review of the records of all RRPT to ensure that relevant approvals have been obtained and that the review procedures in respect of such transactions are adhered to. Any divergence will be reported to the Board Audit Committee.
- The Board and Board Audit Committee shall review the internal audit reports and any other reports required from time to time to ascertain that the guidelines and procedures established to monitor RRPT have been complied with.
- The method and procedures to determine transaction prices, terms and conditions are based on the prevailing market rates / agreed commercially competitive pricing calculation and where appropriate preferential rates and discounts (the same as are accorded to non- Related Parties in large transactions) relative to industry norm.

Further, where any Director has an interest (direct or indirect) in any RRPT, such Director (or his alternate, where applicable) shall abstain from voting on the matter. Where any member of the Board Audit Committee is interested in any transaction, that member shall abstain from voting on any matter relating to any decisions to be taken by the Board Audit Committee with respect to such transactions.

The Company will provide a breakdown of the aggregate value of the RRPT made during the financial year, amongst others, based on the following information:-

- (a) the type of RRPT made; and
- (b) the names of the Related Parties involved in each type of RRPT made and their relationship with the Company.

## 2.5 DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

None of the Directors, Major Shareholders and / or persons connected with them have any interest, direct or indirect, in the Proposed Renewal of Existing Shareholders' Mandate pertaining to the Recurrent Related Party Transactions, save and except for the following:-

- (i) MHIL, a Major Shareholder holding 51.02% equity interest in the Company, is deemed interested in the Proposed Renewal of Existing Shareholders' Mandate.
- (ii) HYHL, who has an indirect interest in the Company via its wholly-owned subsidiary, MHIL, is deemed interested in the Proposed Renewal of Existing Shareholders' Mandate.

- (iii) SHPCL, who has an indirect interest in the Company via its wholly-owned subsidiary, HYHL, and HYHL's wholly owned subsidiary, MHIL, is deemed interested in the Proposed Renewal of Existing Shareholders' Mandate.
- (iv) Mr. Wang YouDe and Mr. Wang ZongQuan are the nominee directors of MHIL in the Company, and are also directors of MHIL. As such, they are deemed interested in the Proposed Renewal of Existing Shareholders' Mandate in respect of RRPT to be entered into with MHIL, who is the Major Shareholder of HRC, and SHPCL, who has an indirect interest in MHIL and the Company.
- (v) Mr. Wang YouDe and Mr. Wang ZongQuan are also directors of HISB. As such, they are deemed interested in the Proposed Renewal of Existing Shareholders' Mandate in respect of RRPT to be entered into with HISB, who is a company related to HRC.

The interested Directors will abstain from voting on the ordinary resolution approving the Proposed Renewal of Existing Shareholders' Mandate at the forthcoming AGM. These Directors have also undertaken that they will ensure that persons connected with them will abstain from voting on the ordinary resolution approving the Proposed Renewal of Existing Shareholders' Mandate at the forthcoming AGM.

Save as disclosed below, as at 4 May 2020, none of the interested Directors, interested Major Shareholders and / or persons connected to them have any direct or indirect shareholdings in the Company:-

<b><u>Interested Major Shareholders</u></b>	<b><u>Direct Interest</u></b>	<b><u>%</u></b>	<b><u>Indirect Interest</u></b>	<b><u>%</u></b>
MHIL	153,069,002	51.02	-	-
Heng Yuan Holdings Limited	-	-	153,069,002	51.02
SHPCL	-	-	153,069,002	51.02

The interested Major Shareholders will abstain from voting in respect of their direct and indirect interests in the Company on the ordinary resolution to approve the Proposed Renewal of Existing Shareholders' Mandate at the forthcoming AGM. The interested Major Shareholders have also undertaken that they shall ensure that persons connected with them shall abstain from voting on the said ordinary resolution approving the Proposed Renewal of Existing Shareholders' Mandate at the forthcoming AGM.

Mr. Wang YouDe and Mr. Wang ZongQuan, as interested Directors, have abstained and shall continue to abstain from deliberations of and voting at the Board in respect of all RRPT in which they are deemed interested.

## 2.6 STATEMENT BY THE BOARD AUDIT COMMITTEE

The Board Audit Committee who is responsible to determine whether the procedures for reviewing transactions that involve Related Parties are sufficient to ensure compliance with the relevant requirements, has seen and reviewed the procedures mentioned in Section 2.4 above and is of the view that the said procedures are sufficient to ensure that the RRPT are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the Company's minority shareholders. Further, the Board Audit Committee is of the view that adequate procedures and processes are in place to monitor, track and identify RRPT in a timely and orderly manner, and is satisfied with the frequency of review of these procedures and processes. The procedures and processes are reviewed on an ad-hoc basis based on recommendations from the internal audit department or the Management of the Company.



## 2.7 CONDITIONS OF THE PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE

The Proposed Renewal of Existing Shareholders' Mandate is subject to the approval of the shareholders of the Company at the forthcoming AGM to be convened.

## 3. DIRECTORS' RECOMMENDATION

Your Board of Directors excluding Mr. Wang YouDe and Mr. Wang ZongQuan, being the interested directors, having considered the rationale and benefits of the Proposed Renewal of Existing Shareholders' Mandate, is of the opinion that the Proposed Renewal of Existing Shareholders' Mandate is in the best interest of the Company and its shareholders.

Accordingly, your Board of Directors, excluding Mr. Wang YouDe and Mr. Wang ZongQuan, being the interested directors, recommend that shareholders vote in favour of the resolution pertaining to the Proposed Renewal of Existing Shareholders' Mandate to be tabled at the forthcoming AGM.

## 4. Annual General Meeting

The ordinary resolution to vote on the Proposed Renewal of Existing Shareholders' Mandate is set out in the Notice of the 61<sup>st</sup> AGM of the Company. The AGM will be held entirely through live streaming from the Broadcast Venue at Tricor Leadership Room, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia on Tuesday, 23 June 2020 at 10.00 a.m.

The AGM will be held for the purposes of, amongst others, considering and if thought fit, passing the ordinary resolution to give effect to the Proposed Renewal of Existing Shareholders' Mandate.

The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Act which requires the Chairperson of the meeting to be present at the main venue of the meeting.

Shareholders **will not be allowed** to attend the 61<sup>st</sup> AGM in person at the Broadcast Venue on the day of the meeting. Shareholders are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at the 61<sup>st</sup> AGM via RPV provided by Tricor Investor & Issuing House Services Sdn. Bhd. via its TIIH Online website at <https://tiih.online>. Please refer to the "Procedures for RPV" in the Administrative Guide for the Company's 61<sup>st</sup> AGM for further information on how to participate remotely via RPV.

Shareholders who appoint proxies to participate via RPV in the 61<sup>st</sup> AGM are requested to complete, sign and return the **original** Proxy Form enclosed in accordance with the instructions contained therein as soon as possible and in any event so as to arrive at the office of the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not later than 48 hours before the time fixed for convening the AGM.

The proxy appointment may also be lodged electronically via Tricor's TIIH Online website at <https://tiih.online> no later than 21 June 2020 at 10.00 a.m. For further information on the electronic lodgement of the Proxy Form, kindly refer to the Administrative Guide for the 61<sup>st</sup> AGM.

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**5. FURTHER INFORMATION**

Shareholders are requested to refer to the attached Appendix I of this Circular for further information.

Yours faithfully

For and on behalf of the Board of Directors

**HENGYUAN REFINING COMPANY BERHAD**

**ALAN HAMZAH SENDUT**

Board Audit Committee Chair

Independent Non-Executive Director

## **APPENDIX I**

### **FURTHER INFORMATION**

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#### **1. Directors' Responsibility Statement**

This Circular has been reviewed and approved by the Board of Directors of the Company who collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm that after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any statement herein misleading.

#### **2. Material Contracts**

There are no material contracts (not being contracts entered into in the ordinary course of business) that have been entered into by the Company during the two (2) years immediately preceding the date of this Circular.

#### **3. Material Litigation**

The Company is not engaged in any material litigation, claims or arbitration either as a plaintiff or defendant, and the Board of Directors are not aware of any proceedings, pending or threatened, against the Company or of any fact likely to give rise to any proceedings which might materially or adversely affect the position or business of the Company.

#### **4. Documents Available for Inspection**

Copies of the following documents are available for inspection during normal business hours at the Registered Office of the Company at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur from the date of this Circular up to and including the date of the AGM:-

- (i) the Constitution of the Company; and
- (ii) the audited financial statements of the Company for the past two (2) financial years ended 31 December 2018 and 31 December 2019.

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## **PART B**

**STATEMENT IN RELATION TO THE PROPOSED SHARE BUY-BACK  
AUTHORITY FOR HENGYUAN REFINING COMPANY BERHAD TO  
PURCHASE ITS OWN SHARES**

## **STATEMENT IN RELATION TO THE PROPOSED SHARE BUY-BACK AUTHORITY FOR HENGYUAN REFINING COMPANY BERHAD TO PURCHASE ITS OWN SHARES**

---

### **1. INTRODUCTION**

The purpose of this Statement is to:

- (a) provide you with details in relation to the Proposed Share Buy-Back Authority and set out the Board's recommendation for the proposal; and
- (b) seek your approval for the ordinary resolution in relation to the Proposed Share Buy-Back Authority to be tabled at the forthcoming AGM.

The Notice and Proxy Form have been sent to you together with this Statement.

### **2. DETAILS OF THE PROPOSED SHARE BUY-BACK AUTHORITY**

- 2.1. The Company is seeking your approval for the authority for HRC to purchase its own shares of up to 10% of the total number of shares issued at any time period stated in Section 2.2 below. Such Statement is subject to compliance with Section 127 of the Act and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by the relevant authorities at the time of purchase.
- 2.2. The Proposed Share Buy-Back Authority, if approved, shall be effective upon the passing of the ordinary resolution of the Proposed Share Buy-Back Authority at the forthcoming AGM and shall continue to be in force until:
  - (a) the conclusion of the next AGM of the Company following at which time the authority shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions;
  - (b) the expiration of the period within which the next AGM of the Company is required by law to be held; or
  - (c) revoked or varied by ordinary resolution passed by the shareholders of the Company at a general meeting,whichever occurs first, but shall not prejudice the completion of purchase(s) by the Company of its own Shares before the aforesaid expiry date and, in any event, in accordance with the Listing Requirements and any applicable laws, rules, regulations, orders, guidelines and requirements issued by any relevant authorities.
- 2.3. Under Section 127 of the Act, the Board may deal with any of the HRC Shares purchased by the Company in the following manner:
  - (a) cancel all or part of the Purchased Shares;
  - (b) retain all or part of the Purchased Shares as treasury shares as defined in Section 127 of the Act;
  - (c) distribute all or part of the treasury shares as dividends to the shareholders of the Company;
  - (d) resell all or part of the treasury shares;
  - (e) transfer all or part of the treasury shares for the purposes of or under the employees' share scheme established by the Company and / or its subsidiaries;
  - (f) transfer all or part of the treasury shares as purchase consideration;

- (g) sell, transfer or otherwise use the shares for such other purposes as the Minister may by order prescribe; and / or
- (h) deal with the treasury shares in the manners as allowed by the Act, Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and / or orders of any relevant authorities for the time being in force.

The Board of HRC intends to retain the HRC Shares purchased as treasury shares.

- 2.4. As at the LPD of 4 May 2020, the total number of shares issued by the Company is 300,000,000. As such, the total number of shares that can be purchased by HRC after obtaining your approval for the Proposed Share Buy-Back Authority is 30,000,000.
- 2.5. The public shareholding spread of the Company as at the LPD is 48.98%. For illustrative purposes, should HRC purchase all 30,000,000 of its shares after obtaining your approval for the Proposed Share Buy-Back Authority, the level of public shareholding spread will be approximately 43.31%.
- 2.6. The Proposed Share Buy-Back Authority will allow the Company to purchase HRC Shares at any time within the time period stated in Section 2.2 above, using HRC's internally generated funds and / or external borrowings.

The actual number of HRC Shares purchased will depend on availability of funds and relevant cost factors.

- 2.7. The maximum amount of funds to be utilised for the purchase of HRC Shares shall not exceed the retained earnings of the Company as at 31 December 2019 of RM1,698,944,000.

In the event that external borrowings are used for the purchase of HRC Shares by the Company, the Board will ensure that there are sufficient funds to repay the external borrowings and that the repayment will not have any material effect on the cash flow of the Company.

- 2.8. The Company has not made any purchase of its own shares prior to this Statement and does not currently hold any treasury shares.

### **3. RATIONALE FOR THE PROPOSED SHARE BUY-BACK AUTHORITY AND ITS POTENTIAL ADVANTAGES AND DISADVANTAGES**

- 3.1 The Proposed Share Buy-Back Authority will allow the Company to retain the HRC Shares purchased as treasury shares to be used for employment share schemes and performance share plans planned by the Company. This will form a part of the Company's employee value proposition and be an integral part of the Company's employee remuneration and benefits. The proposed exercise will also contribute to the long-term talent management and employee retention strategy of the Company.
- 3.2 The Company may be able to stabilise the price of HRC Shares in the open market, thereby supporting its fundamental values.
- 3.3 In the case where the Directors resolve to retain the HRC Shares as treasury shares and are not subsequently resold, the Company can potentially enhance its EPS and enhance the value of the shareholders' investment in HRC.
- 3.4 If the HRC Shares bought back are kept as treasury shares, it will allow the Directors an option to sell the HRC Shares so purchased at a higher price and realise a potential capital gain for the Company without affecting the total issued and paid-up capital of the Company. Alternatively, the shares so purchased can be distributed as share dividends to shareholders.
- 3.5 If implemented, the Proposed Share Buy-Back may result in a lower amount of cash reserves available for distribution in the form of cash dividends to shareholders. However, the financial resources of the Company may increase upon the resale of HRC Shares held as treasury shares at prices higher than the purchased price.

3.6 The Proposed Share Buy-Back, if exercised, will reduce the financial resources of the Company and may result in the Company foregoing other alternative investment opportunities which may emerge in the future, or at the least, deprive the Company of interest income that can be derived from the funds utilised for the Proposed Share Buy-Back.

3.7 The Board does not expect the Proposed Share Buy-Back to cause any potential material disadvantages to the Company and its shareholders as it will only be undertaken after exercising due consideration of the financial resources of HRC and its resultant impact.

#### **4. FINANCIAL EFFECTS OF THE PROPOSED SHARE BUY-BACK**

##### **4.1 Share Capital**

As the purpose of the Proposed Share Buy-Back is to retain the HRC Shares as treasury shares, the share buy-back will not affect the total issued and paid-up share capital of the Company. However, treasury shares do not include the right to attend to vote at meetings, or the right to receive dividends or other distributions, whether cash or otherwise, of the company's assets.

Further, treasury shares shall not be taken into account in calculating the number of percentage of shares or of a class of shares in HRC for any purpose, including in application of any law or requirements of the constitution of the Company or the Listing Requirements for substantial shareholders, takeovers, notices, the requisitioning of meetings, quorum for a meeting and the result of a vote on a resolution at a meeting.

##### **4.2 Net Assets Per Share**

The effect of the Proposed Share Buy-Back on the net assets per share is dependent on the purchase price(s) of HRC Shares. If the purchase price is less than the audited net assets per share at the time of the purchase, the net assets per share will increase. Conversely, if the purchase price exceeds the audited net assets per share at the time of purchase, the net assets per share will decrease.

##### **4.3 Working Capital**

The implementation of the Proposed Share Buy-Back will reduce the Company's working capital, the quantum of which would depend on the number of HRC Shares purchased, the purchase price of HRC Shares and any associated costs incurred in the purchase.

If the purchased shares kept as treasury shares are resold on Bursa Securities, the working capital of the Company would increase if the Company realises a gain from the resale. The quantum of the increase in the working capital will depend on the actual selling price of the treasury shares and the number of treasury shares resold.

##### **4.4 Earnings Per Share**

The effect of the Proposed Share Buy-Back on the EPS of the Company will depend on the purchase price(s) of HRC Shares and the actual number of HRC Shares bought back. The reduced issued and paid-up capital subsequent to the Proposed Share Buy-Back will generally have a positive impact, all else being equal, on the Company's EPS.

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## 5. SUBSTANTIAL SHAREHOLDERS' AND DIRECTORS' SHAREHOLDING

### 5.1 Substantial Shareholders

Assuming that the Proposed Share Buy-Back is carried out in full, the effect of the exercise on the shareholdings of the Substantial Shareholders of HRC is as follows:

<u>Substantial Shareholder</u>	<u>As at LPD</u>				<u>After Proposed Share Buy-Back Authority</u>			
	Direct		Indirect		Direct		Indirect	
	No. of Share	%	No. of Share	%	No. of Share	%	No. of Share	%
Malaysia Hengyuan International Limited	153,069,002	51.02	-	-	153,069,002	56.69	-	-

### 5.2 Directors' Shareholding

None of the Directors of HRC hold any shares of the Company as at the LPD. As such, the Proposed Share Buy-Back will not have any effect on the Directors' shareholding of HRC.

## 6. IMPLICATION OF THE CODE

As Malaysia Hengyuan International Limited holds 51.02% of the voting rights of HRC as at the LPD, the Proposed Share Buy-Back will not trigger any implication of the Malaysian Code on Take-Over and Mergers 2016.

## 7. APPROVAL REQUIRED

The Proposed Share Buy-Back Authority is subject to your approval at the forthcoming AGM to be convened.

## 8. HISTORICAL SHARE PRICE

The highest and lowest prices at which HRC shares were traded for the preceding twelve (12) months from May 2019 to April 2020 are:

Month	High (RM)	Low (RM)
May 2019	6.18	5.36
June 2019	5.47	5.22
July 2019	5.38	4.99
August 2019	5.23	4.46
September 2019	4.96	4.29
October 2019	4.63	4.23
November 2019	4.55	4.25
December 2019	4.37	4.10
January 2020	4.30	3.57
February 2020	4.60	3.36
March 2020	3.69	2.20
April 2020	3.29	2.42

The last transacted price for HRC Shares on the LPD is RM3.25.

(Source: Bursa Malaysia Information Sdn Bhd and Bursa Malaysia Berhad)



**9. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED**

Save for the proportionate increase in the shareholding and / or voting rights of the shareholders of HRC as a result of the implementation of the Proposed Share Buy-Back, none of the Directors, Major Shareholders or persons connected to them have any interests, direct or indirect, in the Proposed Share Buy-Back Authority.

**10. DIRECTORS' RECOMMENDATION**

Your Board of Directors, having considered the rationale and benefits of the Proposed Share Buy-Back Authority, is of the opinion that the exercise is in the best interest of the Company and its shareholders.

Accordingly, your Board of Directors recommend that shareholders vote in favour of the resolution pertaining to the Proposed Share Buy-Back Authority to be tabled at the forthcoming AGM.

**11. FURTHER INFORMATION**

Shareholders are requested to refer to the attached Appendix I of this Statement for further information.

This Statement is dated 22 May 2020.

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## **APPENDIX I**

### **FURTHER INFORMATION**

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#### **1. Directors' Responsibility Statement**

This Statement has been reviewed and approved by the Board of Directors of the Company who collectively and individually accept full responsibility for the accuracy of the information given in this Statement and confirm that after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any statement herein misleading.

#### **2. Material Contracts**

There are no material contracts (not being contracts entered into in the ordinary course of business) that have been entered into by the Company during the two (2) years immediately preceding the date of this Statement.

#### **3. Material Litigation**

The Company is not engaged in any material litigation, claims or arbitration either as a plaintiff or defendant, and the Board of Directors are not aware of any proceedings, pending or threatened, against the Company or of any fact likely to give rise to any proceedings which might materially or adversely affect the position or business of the Company.

#### **4. Documents Available for Inspection**

Copies of the following documents are available for inspection during normal business hours at the Registered Office of the Company at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur from the date of this Circular up to and including the date of the AGM:-

- (i) the Constitution of the Company; and
- (ii) the audited financial statements of the Company for the past two (2) financial years ended 31 December 2018 and 31 December 2019.

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## **PART C**

### **STATEMENT IN RELATION TO THE PROPOSED AMENDMENT OF THE CONSTITUTION OF THE COMPANY**

## STATEMENT IN RELATION TO THE PROPOSED AMENDMENT OF THE CONSTITUTION OF THE COMPANY

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### 1. INTRODUCTION

The purpose of this Statement is to:

- (a) provide you with details in relation to the Proposed Amendment and set out the Board's recommendation for the proposal; and
- (b) seek your approval for the ordinary resolution in relation to the Proposed Amendment to be tabled at the forthcoming AGM.

The Notice and Proxy Form have been sent to you together with this Statement.

### 2. DETAILS OF THE PROPOSED AMENDMENT

The Company is seeking your approval for HRC to amend its Constitution as set out in Appendix II of this Statement.

### 3. RATIONALE FOR THE PROPOSED AMENDMENT

The Proposed Amendment is made to ensure clarity of the Company's Constitution.

### 4. FINANCIAL EFFECTS OF THE PROPOSED AMENDMENT

The Proposed Amendment will not have any effect on the share capital, net assets per share, gearing, earnings per share and Substantial Shareholders' and Directors' shareholding of the Company.

### 5. APPROVAL REQUIRED

The Proposed Amendment is subject to your approval at the forthcoming AGM to be convened.

### 6. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED

None of the Directors, Major Shareholders or persons connected to them have any interests, direct or indirect, in the Proposed Amendment.

### 7. DIRECTORS' RECOMMENDATION

Your Board of Directors, having considered the rationale of the Proposed Amendment, is of the opinion that the exercise is in the best interest of the Company and its shareholders.

Accordingly, your Board of Directors recommend that shareholders vote in favour of the resolution pertaining to the Proposed Amendment to be tabled at the forthcoming AGM.

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**8. FURTHER INFORMATION**

Shareholders are requested to refer to the attached Appendix I of this Statement for further information.

This Statement is dated 22 May 2020.

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## **APPENDIX I**

### **FURTHER INFORMATION**

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#### **1. Directors' Responsibility Statement**

This Statement has been reviewed and approved by the Board of Directors of the Company who collectively and individually accept full responsibility for the accuracy of the information given in this Statement and confirm that after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any statement herein misleading.

#### **2. Material Contracts**

There are no material contracts (not being contracts entered into in the ordinary course of business) that have been entered into by the Company during the two (2) years immediately preceding the date of this Statement.

#### **3. Material Litigation**

The Company is not engaged in any material litigation, claims or arbitration either as a plaintiff or defendant, and the Board of Directors are not aware of any proceedings, pending or threatened, against the Company or of any fact likely to give rise to any proceedings which might materially or adversely affect the position or business of the Company.

#### **4. Documents Available for Inspection**

Copies of the following documents are available for inspection during normal business hours at the Registered Office of the Company at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur from the date of this Circular up to and including the date of the AGM:-

- (i) the Constitution of the Company; and
- (ii) the audited financial statements of the Company for the past two (2) financial years ended 31 December 2018 and 31 December 2019.

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**APPENDIX II**  
**PROPOSED AMENDMENT TO THE CONSTITUTION OF THE COMPANY**

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**HENGYUAN REFINING COMPANY BERHAD (REGISTRATION NO.: 196001000259 (3926-U))**

**PROPOSED AMENDMENT**

THAT the existing Constitution of the Company be amended by revising the heading of Article 54 of the Constitution as follows:

<b>Article No.</b>	<b>Existing Article</b>	<b>Proposed Amendment</b>
54	Article 54 - Convening of Extraordinary General Meeting	<b>Article 54 – Convening of General Meetings</b>

