

HENGYUAN REFINING COMPANY BERHAD (3926-U)
(“HRC” or “the Company”)

Minutes of the Sixtieth (60th) Annual General Meeting (“AGM”) of the Company held at Nexus Ballroom 1 & 2, Level 3A, Connexion Conference & Event Centre, Bangsar South City, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur on Tuesday, 28 May 2019 at 10.00 a.m.

Present:

- Directors : Mr Wang, Youde (“Chairman” or “Chairman Wang”)
Mr Wang, ZongQuan
Mr Alan Hamzah Sendut
Puan Fauziah Binti Hisham
Mr Liang Kok Siang
Mr Surinderdeep Singh a/l Mohindar Singh
(collectively, the “Board”)
- HRC’s Senior Management: : Mr David Ronald Keat, Chief Executive Officer (“CEO”)
(seated alongside with Ms Jocelyn Wang, Chao-Jen, Deputy Chief Executive Officer
the Board) (“Deputy CEO”)
Ms Foo Ai Li, Chief Financial Officer (“CFO”)
Mr William Chen, Chief Commercial Officer (“CCO”)
- Shareholders : As per Shareholder Attendance List
- Proxies : As per Proxy Attendance List
- In Attendance : Ms Lim Hooi Mooi – Company Secretary
Ms Ong Wai Leng – Company Secretary
- By Invitation : As per Attendance List

1.0 ADDRESS BY THE CHAIRMAN

Chairman Wang welcomed everyone to the meeting and proceeded to introduce the members of the Board and the Senior Management. Mr William Chen, the Chief Commercial Officer of the Company, was introduced as the designated translator for the Chairman throughout the AGM.

2.0 QUORUM

As the requisite quorum was present, the Chairman called the Meeting to order.

3.0 NOTICE

The notice convening the meeting as set out in the Company’s 2018 Annual Report was taken as read with the consent of the shareholders present.

Chairman Wang, on behalf of the Board, thanked all shareholders for their continued support and those who were present at the AGM. He then invited CEO to present the key highlights of HRC's 2018 performance.

CEO's presentation covered the following areas:

- (i) Major turnaround in 2018;
- (ii) Key investment projects from 2018 to 2020;
- (iii) Major Capital Investments in 2018 and 2019;
- (iv) Safety & reliability as the cornerstones of HRC's business;
- (v) Strengthening governance and improving business processes for operational efficiencies;
- (vi) HRC's 2018 key performance highlights in terms of financial performance; and
- (vii) HRC's 2018 key performance highlights in terms of people management and engagement.

Chairman Wang thanked CEO for his presentation and invited Deputy CEO to present the Company's outlook for the year 2019 to the shareholders.

Chairman Wang then thanked Deputy CEO for her presentation and with no objection raised, the CEO was elected to facilitate the AGM's proceedings in English.

The shareholders were informed that the Company had received questions from the Minority Shareholder Watchdog Group ("MSWG") prior to the AGM. The questions and answers were displayed on screen and CFO was invited to present the questions received to all shareholders present. The questions were centered on:

1. The Optimum operating capacity expected for the financial years ("FY") 2019 and 2020
2. Any further cost or planned work which may impact the operations in FY 2019 and 2020
3. Likelihood of declaring dividends for the shareholders
4. Increase in non-audit fees payable to the external auditor
5. Clarification on Practice 4.5 to have at least 30% of women directors for Large Companies
6. Clarification on Practice 7.2 to disclose an alternative practice if the Company had departed from disclosing the senior management remuneration in named basis

CFO thereafter present the shareholders' questions received prior to the AGM. The Management's response to the questions received from the MSWG and the shareholders were listed in the Annexure-1 attached which would also form part of the minutes of the AGM.

After all questions had been dealt with, CEO proceeded to open the floor to questions from shareholders.

4.0 AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Members of the floor were informed that the provision of Section 340(1)(a) of the Companies Act 2016 require that the Audited Financial Statements (“AFS”) and the Reports of the Directors and Auditors thereon be laid before the Company at its AGM. As such, the agenda item was not a business which required a resolution to be put to vote by the shareholders.

There being no questions raised, CEO declared that the AFS for the financial year ended 31 December 2018 have been properly laid and received in accordance with the Companies Act 2016.

**5.0 ORDINARY RESOLUTION 1
RE-ELECTION OF MR WANG, YOUDE**

CEO proceeded with the second item of the agenda of AGM which was the re-election of Chairman Wang, who would be retiring in accordance with Article 81(3) of the Constitution of the Company and who had offered himself for re-election, as a Director of the Company.

There being no questions raised, the CEO informed that the poll for Ordinary Resolution 1 would be taken at the end of the meeting.

**6.0 ORDINARY RESOLUTION 2
RE-ELECTION OF MR ALAN HAMZAH SENDUT**

CEO then proceeded with the next item of the agenda which was the re-election of Mr Alan Hamzah Sendut, who would be retiring in accordance with Article 81(3) of the Constitution of the Company and who had offered himself for re-election, as a Director of the Company.

There being no questions raised, CEO informed that the poll for Ordinary Resolution 2 would be taken at the end of the meeting.

**7.0 ORDINARY RESOLUTION 3
RE-ELECTION OF MR SURINDERDEEP SINGH A/L MOHINDAR SINGH**

The Meeting then considered the next item of the agenda which was the re-election of Mr Surinderdeep Singh a/l Mohindar Singh, who would be retiring in accordance with Article 81(9) of the Constitution of the Company and who had offered himself for re-election, as a Director of the Company.

There being no questions raised, CEO informed that the poll for Ordinary Resolution 3 would be taken at the end of the meeting.

8.0 ORDINARY RESOLUTION 4
RE-APPOINTMENT OF AUDITORS

The Meeting moved to the next item on the agenda which was the re-appointment of Messrs PricewaterhouseCoopers PLT (“PwC”) as the Auditors of the Company until the conclusion of the next Annual General Meeting and the authorisation for Directors to fix their remuneration. PwC had indicated their willingness to continue office for the ensuing year.

The questions raised and answers provided are listed as Question no. 14 in the annexure attached. After the questions were dealt with, the CEO informed that the poll for Ordinary Resolution 4 would be taken at the end of the meeting.

9.0 ORDINARY RESOLUTION 5
PAYMENT OF NON-EXECUTIVE DIRECTORS’ FEES AND BENEFITS OF UP TO RM2,000,000 FOR THE PERIOD FROM 1 JUNE 2019 TO 30 MAY 2020

The Meeting proceeded with the next item on the agenda which was to approve the payment of non-executive Directors’ fees and benefits of up to RM2,000,000.00 for the period from 1 June 2019 to 30 May 2020.

There being no questions raised, the CEO informed that the poll for Ordinary Resolution 5 would be taken at the end of the meeting.

10.0 ORDINARY RESOLUTION 6
AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016

The meeting proceeded to discuss the next item of the agenda on the proposed authority to allot and issue new ordinary shares pursuant to Sections 75 and 76 of the Companies Act 2016. The full text of the proposed resolution was set out in the Notice of Meeting and was taken as read.

The intent of the resolution was to provide flexibility to the Company to allot and issue new shares in the Company not exceeding 10% of the total number of issued shares of the Company for such purposes as the Directors consider would be in the interest of the Company, without the need to convene a separate general meeting to obtain shareholders’ approval so as to avoid incurring additional cost and time.

There being no questions raised, the CEO informed that the poll for Ordinary Resolution 6 would be taken at the end of the meeting.

11.0 ORDINARY RESOLUTION 7
PROPOSED AUTHORITY FOR SHARE BUY-BACK

The meeting proceeded to discuss the agenda item on the proposed authority for share buy-back. The details of the share buy-back exercise were detailed in the Circular to Shareholders dated 26 April 2019 sent to shareholders along with the Company’s Annual Report.

The questions raised and answers provided are listed as Question no.15 in the annexure attached. After the questions were dealt with, the CEO informed that the poll for Ordinary Resolution 7 would be taken at the end of the meeting.

12.0 **ORDINARY RESOLUTION 8**
PROPOSED NEW SHAREHOLDERS MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

The meeting continued to discuss the next agenda item on the proposed new shareholders' mandate for recurrent related party transactions of a revenue or trading nature with the related parties as set out in Section 2.2.2 of the Circular to the Shareholders dated 26 April 2019. The full text of the Ordinary Resolution 8 was set out in the Notice of Meeting and was taken as read.

There being no questions raised, the CEO informed that the poll for Ordinary Resolution 8 would be taken at the end of the meeting.

13.0 **SPECIAL RESOLUTION 1**
PROPOSED ADOPTION OF THE NEW CONSTITUTION OF THE COMPANY

The meeting continued to discuss the last agenda item on the Special Resolution 1 pertaining to the proposed adoption of new constitution of the Company, the details of which were set out in part B of the Circular to Shareholders dated 26 April 2019 sent to shareholders along with the Company's Annual Report.

There being no questions raised, the CEO informed that the poll for Special Resolution 1 would be taken at the end of the meeting.

14.0 **ANY OTHER BUSINESS**

As no other notices were received, the representative from the Share Registrar, Tricor Investor & Issuing House Services Sdn. Bhd. was invited to brief the procedures on the conduct of poll voting to the shareholders and proxyholders. After the briefing, the meeting proceeded to vote on the items of the agenda. Upon completion of the casting of votes by shareholders and proxyholders, the meeting was adjourned to allow the scrutineers to verify the votes casted.

15.0 **ANNOUNCEMENT OF POLL RESULTS**

The Chairman reconvened the Meeting and the CEO was instructed to announced the poll results as follows: -

Resolutions	Vote For		Vote Against		Results
	No of Units	%	No of Units	%	
Ordinary Resolution 1	167,438,653	99.175	1,392,133	0.825	Carried
Ordinary Resolution 2	167,482,163	99.201	1,348,623	0.799	Carried
Ordinary Resolution 3	167,576,153	99.257	1,254,633	0.743	Carried
Ordinary Resolution 4	167,706,796	99.334	1,123,990	0.666	Carried
Ordinary Resolution 5	168,767,486	99.969	52,400	0.031	Carried
Ordinary Resolution 6	168,481,186	99.793	349,600	0.207	Carried
Ordinary Resolution 7	168,814,686	99.997	5,200	0.003	Carried
Ordinary Resolution 8	15,742,984	99.881	18,800	0.119	Carried
Special Resolution 1	168,826,086	99.997	4,700	0.003	Carried

It was RESOLVED as follows: -

ORDINARY RESOLUTION 1
RE-ELECTION OF MR WANG, YOUDE

“THAT Mr Wang, YouDe, the Director retiring in accordance with Article 81(3) of the Constitution of the Company, be and is hereby re-elected as Director of the Company.”

ORDINARY RESOLUTION 2
RE-ELECTION OF MR ALAN HAMZAH SENDUT

“THAT Mr Alan Hamzah Sendut, the Director retiring in accordance with Article 81(3) of the Constitution of the Company, be and is hereby re-elected as Director of the Company.”

ORDINARY RESOLUTION 3
RE-ELECTION OF MR SURINDERDEEP SINGH A/L MOHINDAR SINGH

“THAT Mr Surinderdeep Singh a/l Mohindar Singh, the Director retiring in accordance with Article 81(9) of the Constitution of the Company, be and is hereby re-elected as Director of the Company.”

ORDINARY RESOLUTION 4
RE-APPOINTMENT OF AUDITORS

“THAT Messrs PricewaterhouseCoopers PLT be and are hereby re-appointed as Auditors of the Company until the conclusion of the next Annual General Meeting and that authority be and is hereby given to the Directors to fix their remuneration.”

ORDINARY RESOLUTION 5
PAYMENT OF NON-EXECUTIVE DIRECTORS' FEES AND BENEFITS OF UP TO RM2,000,000 FOR THE PERIOD FROM 1 JUNE 2019 TO 30 MAY 2020

“THAT the payment of non-executive Directors' fees and benefits of up to RM2,000,000 for the period from 1 June 2019 to 30 May 2020 be and is hereby approved.”

ORDINARY RESOLUTION 6
AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016

“THAT pursuant to Sections 75 and 76 of the Companies Act 2016 (“the Act”) and subject to approvals from Bursa Malaysia Securities Berhad (“Bursa Securities”) for the listing of and quotation for the additional shares so issued and other relevant authorities, where approval is necessary, authority be and is hereby given to the Directors to allot and issue shares in the Company at any time upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided always that the aggregate number of shares to be issued shall not exceed ten per centum (10%) of the total number of issued shares of the Company for the time being AND THAT such authority shall continue to be in force until the conclusion of the next AGM of the Company.”

ORDINARY RESOLUTION 7
PROPOSED AUTHORITY FOR SHARE BUY-BACK

“THAT subject always to the Act, the Constitution of the Company, the Main Market Listing Requirements of Bursa Securities (“Listing Requirements”) and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such number of issued shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:

- i. the aggregate number of issued shares in the Company (“Shares”) purchased (“Purchased Shares”) and/or held as treasury shares pursuant to this ordinary resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company as quoted on Bursa Securities as at point of purchase; and
- ii. the maximum amount of funds to be allocated by the Company for the purpose of purchasing the Shares shall not exceed the aggregate of the retained profits of the Company based on the latest audited financial statements and/or the latest management accounts (where applicable) available at the time of the purchase,

(“Proposed Share Buy-Back”).

AND THAT the authority to facilitate the Proposed Share Buy-Back will commence immediately upon passing of this Ordinary Resolution and will 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, guidelines requirements and/or orders issued by any relevant authorities.

AND THAT the Directors of the Company be and are hereby authorised, at their discretion, to deal with the Purchased Shares until all the Purchased Shares have been dealt with by the Directors in the following manner as may be permitted by the Act, Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force:

- i. To cancel all or part of the Purchased Shares;
- ii. To retain all or part of the Purchased Shares as treasury shares as defined in Section 127 of the Act;
- iii. To distribute all or part of the treasury shares as dividends to the shareholders of the Company;
- iv. To resell all or part of the treasury shares;
- v. To transfer all or part of the treasury shares for the purposes of or under the employees' share scheme established by the Company;
- vi. To transfer all or part of the treasury shares as purchase consideration;
- vii. To sell, transfer or otherwise use the shares for such other purposes as the Minister may by order prescribe; and/or
- viii. To 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.

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary or expedient, including without limitation, the opening and maintaining of central depository account(s) under Securities Industry (Central Depositories) Act, 1991, and the entering into all other agreements, arrangements and guarantee with any party or parties, to implement, finalise and give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities.”

ORDINARY RESOLUTION 8
PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

“THAT subject to the Listing Requirements, approval be and is hereby given for the Company to enter into recurrent related party transactions of a revenue or trading nature with the related parties as set out in Section 2.2.2 of the Circular to the Shareholders dated 26 April 2019 which are necessary for day-to-day operations and are carried out in the ordinary course of business on terms which are not more favourable to the related parties than those generally available to the public and are undertaken on an arms' length basis and not to the detriment of minority shareholders;

AND THAT the authority conferred by such mandate shall commence upon the passing of this resolution and continue to be in full force until:

- (a) the conclusion of the next AGM of the Company at which this shareholders' mandate will lapse, unless by a resolution passed at the next AGM, the mandate is renewed;
- (b) the expiration of the period within which the next AGM is required to be held pursuant to Section 340(2) of the Act (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier;

AND THAT the Board of Directors be and is hereby authorised to complete and do all such acts and things as it may consider expedient or necessary (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this mandate.”

SPECIAL RESOLUTION 1
PROPOSED ADOPTION OF THE NEW CONSTITUTION OF THE COMPANY

“THAT approval be and is hereby given to revoke the existing Constitution of the Company with immediate effect and in place thereof, the proposed new Constitution of the Company as set out in Part B of the Circular to the Shareholders dated 26 April 2019 be and is hereby adopted as the Constitution of the Company AND THAT the Directors of the Company be and are hereby authorised to assent to any modifications, variations and/or amendments as may be required by the relevant authorities and to do all such acts and things and take all such steps as may be considered necessary to give full effect to the foregoing.”

HENGYUAN REFINING COMPANY BERHAD (3926-U)
Minutes of Sixtieth (60th) Annual General Meeting held on 28 May 2019

- 16.0** After the poll results were released and announced, there being no other business the Meeting was closed at 12.54 p.m. with a vote of thanks to the Chairman.

Signed as a correct record



CHAIRMAN

Date: 29 AUG 2019

Annexure

KEY MATTERS RAISED – 60TH ANNUAL GENERAL MEETING

Q1 : A Shareholder requested for a copy of the presentation slide pertaining to the Shareholders' Questions and Management's Answers as presented earlier.

A1 : *Chairman Wang agreed to the shareholder's request.*

Q2 : A Shareholder requested for PwC to explain the average sales price of USD76 compared to Q1 2018's dated Brent oil price of USD66.76 as well as the cost-volume-profit of HRC.

A2 : *PwC replied to the shareholders that they did not perform audits on the quarterly financial results, but they had performed a quarterly review for the selected quarter for year 2018. The audit process performed on purchases was explained to the shareholders. The shareholders were informed that the audit process performed was to ensure the purchases are recorded at actual purchase price by validating each one to the underlying documents and testing of the cost components. Other than the purchase of crude oil, the price also included labour costs and any other overheads allocated to each barrel purchased.*

The remaining inventory valuation, which is crude, is also checked to ensure that it is either stated at lower of price or cost where closing price is market price. HRC had taken into account that the products unsold were benchmarked against the products selling prices to ensure that no write off was required.

HRC had taken into account the reduction of prices and products unsold were benchmarked against the products selling prices to ensure that no write off was required. Lastly, PwC would ensure that the independent techniques performed by the expert were observed and the quality of the products and crude in tanks were validated. The calculation was not straight forward but this was the process on how HRC obtained the cost of sales.

CCO added that dated Brent oil price was merely a benchmark price for reference. HRC was unable to provide actual premium and discount for purchases as that information varies with each parcel and is commercially sensitive.

Q3 : A shareholder enquired whether HRC had purchased crude oil at higher than benchmark price and asked about the cost-volume-profit.

A3 : *The shareholders were informed that it was sensitive for HRC to disclose its purchase prices. However, crude oil prices or discounts dependent on factors such as freight, yields and properties, trading premiums and the market supply, and demand situation. Nonetheless, HRC had sometimes purchased crude oil at a small premium compared to benchmark price as those crude parcels generated higher economic returns.*

Q4 : A shareholder highlighted that Petronas and Petron published their purchase price of crude oil quarterly and hence, requested HRC to disclose its actual purchase price.

A4 : CFO clarified that both Petronas and Petron only disclosed the average Brent oil purchase price in their quarterly results which is publicly available information. HRC had validated that the Brent oil purchase price disclosed were average prices. The average Brent oil purchase price may not represent the actual purchase price as competitors would not disclose actual prices due to it being commercially sensitive.

HRC was of the opinion that disclosing the actual, premium and discount prices would be commercially detrimental to the Company.

CCO also replied that HRC purchased its crude oil either at premium or discount according to the market competition price.

CFO explained to shareholders on how the oil market works and that HRC would seek several quotes from major traders in the region and around the world. The premium/discount price of the crude oil was dependent on the amount of yield. HRC would negotiate for the best price and source for alternatives to maximize HRC's margin.

Q5 : In the first quarter results for the financial year ending 31 December 2019, there was approximately RM80 million losses on the commodity swaps. A shareholder requested HRC to explain the losses on the commodity swap and how HRC could prevent such losses in future and whether the losses could be converted into gains in the future. Shareholders enquired whether HRC had exercised any prevention to avoid the inventory losses.

A5 : CFO explained that currently there were two types of hedges comprising future cracks hedges and inventory hedges. Future cracks hedges are to protect refinery margins. HRC compared mark to market prices whereby the crack hedges would be realized when they come to maturity each month. This would impact the Statement of Profit or Loss of HRC.

For inventory hedges, which had been disclosed in the Annual Report, it was to protect HRC against stockholding gains or losses. HRC would not wait for the market prices to go up or down which would impact margin negatively. HRC would try to protect the margin through hedging against all price movements.

Chairman added that the concept of the hedging was trying to protect the inventory value and HRC had exercised the necessary prevention to avoid any inventory loss.

Q6 : In the first quarter results for the financial year ending 31 December 2019, the hedging loss is substantially higher than the operating gains proximate to the gazetted net loss (What is "gazetted" net loss?). HRC had spent RM1 billion and lead to the losses in the full capacity. (unclear sentence) Shareholder raised his concerns on the HRC's profits in the future.

A6 : CCO explained to the shareholder that the hedging loss has been offset by the positive movement of the actual crude oil prices. For the loss referred to by the shareholder, the margin hedging showed positive figures in the first quarter

results for the financial year ending 31 December 2019. In both cases price movements of physical inventory went the opposite direction to the hedging which balanced out the “loss”. By referring to the Cost Of Sales Adjustment (“COSA”) which is the inventory gains had taken into account to prevent huge costs. HRC protects the value of inventory not only for the speculation purpose.

Q7 : A shareholder mentioned that there were capital commitments of approximately RM1 billion which has yet to be approved for the four ongoing projects. The shareholder asked whether HRC would incur more capital commitments for the projects and how HRC was going to fund the commitments since the Company does not have enough cash. Shareholder asked how HRC was going to sustain profit if HRC wishes to realise the full capital expenditure with its normal margins. Shareholder enquired whether the current projects had increased capacity and efficiency of HRC.

A7 : *Chairman replied that the four major projects were on schedule. The funding lines for the projects were ready and the cash flows and profitability should not be a concern at the moment. HRC had performed some stress tests in cash flow on its sustainability in the future. At the same time, HRC had proceeded with the long-term margin hedging ahead including overcoming the low margin environment as well as securing and stabilising margin in future.*

The ongoing projects were undertaken in compliance with Malaysia regulations. HRC expected that upon the commission of Euro4M project, it would enable HRC to purchase more kinds of crude oil for refining at more attractive prices. Chairman explained that Euro4M project would enhance HRC’s bargaining power for purchases of crude oil.

- Q8 : A shareholder sought clarification on taxation and mentioned that HRC had suffered tax losses until last year. He enquired about the fallout of the Major Turnaround (“MTA”) and raised his concern on the first quarter results for the financial year ending 31 December 2019.
- A8 : *CFO confirmed that HRC had utilised the majority of the tax losses in 2017 but still has some losses recorded under deferred tax assets. She explained that the MTA commenced in the Q3 2018 and ended in Q4 2018. The margin during the MTA period was impacted by the supply and demand of products.*
- The margins in Q1 2018 were different compared to Q1 2019. For Q1 2019, the margins have been reported as firm with positive contributions from stockholding gains.*
- Q9 : A shareholder then enquired on the reason why HRC did not declare dividends for many years.
- A9 : *Chairman replied that he is representing the major shareholder of HRC and also wished to enjoy dividends. However for now, HRC has to consider its long-term sustainability and heavy capex commitments.*
- Q10 : A shareholder enquired if HRC had complied with the Euro4M requirements and whether there was a need for a shut down to upgrade its capacity to meet the requirements.
- A10 : *Chairman replied that there was not a need for a major shut down to commission the Euro4M project as the work for tie-ins to the existing refinery has been completed during the MTA in 2018. However, there may be a short stop for no more than 2 or 3 days.*
- Q11 : A shareholder enquired if the refinery is capable of producing bunker oil products that is in compliance with the International Maritime Organization (IMO) regulations 2020 and should the Company consider producing and to sell such products which is currently of high demand in the market.
- A11 : CCO replied that the Company has the capability to produce products in compliance with IMO 2020 and had evaluated the possibility. However, the Company will continue to take into consideration of the refinery overall production to ensure prioritization of the higher margin products.
- Q12 : A shareholder sought clarification on the investment of USD66.4 million on the H2GEN project by the Company whereas in comparison Thailand plant which has invested only USD16 million for a slightly bigger capacity H2 plant.
- A12 : *CEO replied that the Thailand plant is purifying an existing hydrogen rich stream, while HRC has to produce pure hydrogen from raw natural gas which is much more complex and expensive. This was clarified with another Hydrogen manufacturing unit licensor who also bid for the Thailand job and a regional oil major who was also involved.*

HRC’s refinery currently relies solely on platformer unit for the manufacturing of hydrogen. However, the existing hydrogen rich stream of HRC does not have the

capacity to be purified to produce a large enough volume of pure hydrogen for the future requirements. Therefore, HRC was forced to produce hydrogen from scratch and thus, had to incur the cost of making hydrogen from natural gas. Chairman explained that the investment cost of the project was from open tender and it could not be compared to Thailand as both projects used different raw materials. CEO added that the cost of investment was transparent and followed a regulated process to ensure that the best price from various tenderers in the market was obtained. It had been reviewed by Board Tender Committee and had been approved by the Board.

Q13 : A shareholder requested for elaboration on the reversal of impairment of RM75 million (page 83 of the Annual Report).

A13 : *CFO explained that in 2014, the major shareholders had conducted a review and had provided impairment for about RM460 million based on the expected remaining operating life of the refinery which would have ceased operations once the new fuel specifications came into effect. After the turnaround had been completed, HRC conducted another impairment assessment taking into account the life span of the refinery which was now extended by the work completed in the turnaround and the investment decisions to allow compliance with the new fuel specifications. The assessment also included projected future margins.*

All cash flows were then discounted back to the present value and compared with the asset's value in the books. Where the discounted cash value was more than the asset value yielding a surplus, HRC could reverse part of the original impairment provided.

In 2014, the Company then had decided not to invest in Euro4M Project and hence, the impairment was made taking in the short-term life span. In 2017 and 2018, HRC had approved over USD400 million capital investment so that the refinery would be able to run for another 20 years.

Q14 : A shareholder enquired whether PwC performed audits on a periodic basis or a yearly basis, and whether there is rotation of the audit partner.

A14 : *CFO replied that PwC performed periodic audits on comparison basis and the annual audit. There was a rotation of audit partner after five years. Chairman added that the appointment of PwC was made by the previous*

Q15 : A shareholder enquired whether HRC would implement a Share Buy Back exercise to stabilise its share price as the share price had dropped to an unreasonable level.

A15 : *Chairman replied that currently HRC did not have any plans to carry out a Share Buy Back.*