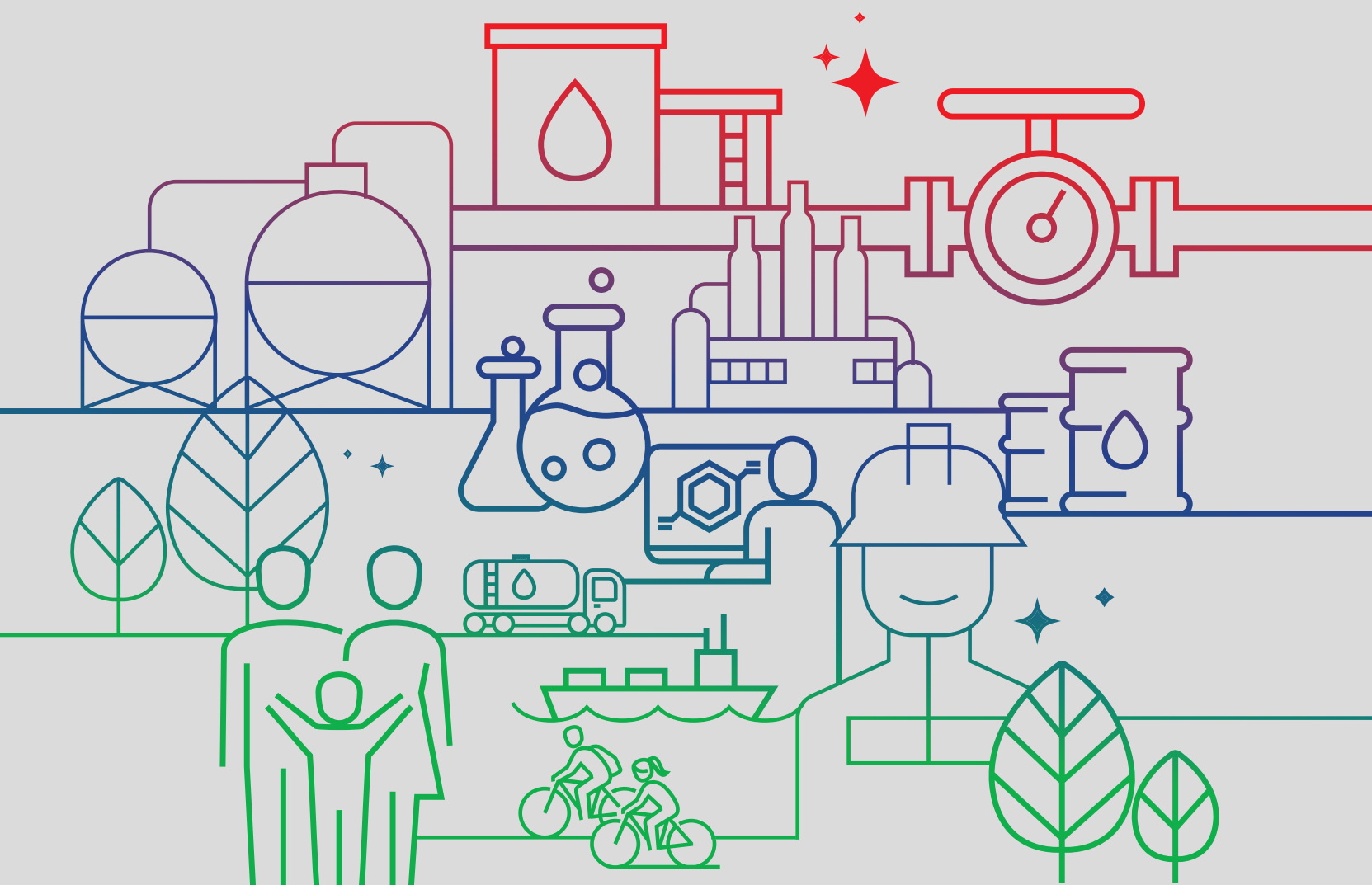


POWERING PROGRESS



2022 ANNUAL REPORT

Hengyuan Refining Company Berhad

Registration No. 196001000259 (3926-U)

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About This Report

This Annual Report focuses on HRC as a Company and our operations in Port Dickson. This report has been prepared with care and thought to provide our stakeholders with a comprehensive and objective view of our economic, social, governance and environmental performance, in a timely, transparent and easy to understand manner. This report also provides, where possible, insights into our business strategy and future prospects.

An accompanying Sustainability Report has also been prepared and is available for viewing at www.hrc.com.my/investor_relations.html. Pertinent information has been cross referenced for interested stakeholders.

The scope of our reporting covers the financial year from 1 January to 31 December 2022 and encompasses all material developments concerning HRC up until the approval of the annual financial statements.

We have prepared our financial statements in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Malaysian Companies Act 2016. They also comply with the applicable disclosure provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Our financial statements have been audited by Messrs PricewaterhouseCoopers PLT, whose unmodified report is available on pages 85 to 90.

Our Annual Report can also be accessed online at www.hrc.com.my/annual_report.html.

We Appreciate Your Feedback

As part of our commitment to reporting that better serves our stakeholders' needs, we value your feedback and welcome comments to improve our future reports. We will attempt to provide further clarity to our disclosure topics where necessary. Please share your comments, suggestions and feedback via email to: hrcpd-corporate-affairs@hrc.com.my.

The Annual Report 2022 is available online at www.hrc.com.my

Powering Progress

A vibrant full image cover showing progress on diverse fronts but all united by a core strategic direction as depicted by the integrated circle at the core. This shows the focus on people, performance and assets. The use of actual operational images capture a grounded and hands-on attitude of a company focused on day-to-day improvements.



Scan here to view our Annual Report online

AT A GLANCE

Business Highlights



Production Volume
37.8 million bbl



93.7%
Operational Availability



Workplace Highlights

2,883
Near Miss Potential Incident
Report Submissions

ZERO
Work-Related Fatalities
Track Record in **29 YEARS**





Successful Implementation of:

- Phase 2 Euro 5 Gasoil
- Hydrogen Manufacturing Unit



Completion of Construction:

Euro 4 Mogas

pending issuance of Certificate of Completion and Compliance



Sustainability Highlights



Recipient of the Prestigious **Prime Minister's Hibiscus Award (PMHA) 2021/2022**

for Excellent Achievement in the Environmental Performance category



In 2022, HRC has set its aspiration to achieve **Net Zero Carbon Emissions** by **2050**

Successful recertifications for:

- **ISO/IEC 27001:2013**
Information Security Management System
- **ISO/IEC 37001:2016**
Anti Bribery Management System
- **ISO/IEC 17025:2017**
Testing and Calibration Laboratories



Completed ISO surveillance audit with zero non-conformance for:

- **ISO 9001:2015**
Quality Management System
- **ISO 14001:2015**
Environmental Management System
- **ISO 45001:2018**
Occupational Safety & Health Management System

CHAIRMAN'S STATEMENT

Dear Shareholders,

For fiscal year 2022 (FY2022), Hengyuan Refining Company (HRC or the Company) faced headwinds due to the continuing geopolitical tensions and a production output cut by the Organisation of the Petroleum Exporting Countries (OPEC) members. In the face of such turbulence, the Company remained steadfast in maintaining good safety and operations standards throughout the year, and was strategically responsive in managing challenges that came our way.



We achieved a significant milestone during the year with the successful completion of major projects. These investments put us in a strong footing by providing the support HRC needs for long-term business sustainability.

The technology applied will aid in upgrading products specification, enabling us to harness improved margins moving forward. The conclusion of the key projects is the result of the commitment and dedication of our employees in powering the progress of HRC.

SUSTAINING EXCELLENT SAFETY CULTURE AND OPERATIONAL RELIABILITY

Attention to the health and safety of our employees and the communities surrounding our refinery remains our top priority. We continue to inculcate a safety culture within our organisation, recognising that safety is a cornerstone of our business. We have implemented comprehensive safety protocols and training programmes for our employees and contractors to ensure the wellbeing of our people and the communities in which we operate.

HRC experienced a high reliability performance for most of the year. However, a national power failure on 27 July 2022, which resulted in an unplanned shutdown for several hours, and the subsequent need for corrective maintenance, impacted the plant's production availability in the second half of 2022. This had a significant effect on the year's production volumes.

The swift corrective actions taken by our responsive Operations team in addressing the unplanned downtime was a testament to their high level of effectiveness and efficiency. We were thus able to complete major projects without compromising product quality. Moving ahead, we are preparing ourselves for the upcoming major turnaround that is scheduled to take place in 2023.



Details of our reliability and safety efforts can be read on pages 34 to 37 of this annual report.

FINANCIAL MANAGEMENT IN A VOLATILE MARKET

Though we continued to practice prudent hedging, HRC's production cost for the year was significantly elevated by global increase in oil premiums and lower overall production volume. In terms of financial management, we are managing risk and ensuring the long-term sustainability of our business to prudently manage our liquidity and protect shareholder value.

As our financial performance continues to be exposed to the risk of crude price, refined product price, and foreign exchange (forex) fluctuations driven by geopolitical forces and global economic changes, we will maintain vigilance in managing cash flows and continue to identify cost-saving opportunities. HRC's Business Improvement

Plan (BIP) strategies had resulted in significant cost savings in FY2022, where the strategies were related to increasing processing capabilities and efficiencies in a sustainable manner.

The Company adopts a flexible plan to effectively meet its financial needs. During the year, we have successfully launched a RM5.0 billion unrated medium-term note for 30 years and put in place multi-currency revolving credit facilities as part of our financial engineering plan.



Details of our financial results can be read on page 41 and pages 92-143 of this annual report.

GREEN AND CLIMATE-RELATED INITIATIVES

HRC has invested and successfully completed CAR, Euro 4M and Euro 5G projects, a demonstration of our commitment to produce "clean" fuel, and in support of the Government's target to produce cleaner fuel for the market. Since 2017, HRS has implemented an investment programme directed at improving the quality of air emissions from our refinery.

The positive impact and results of these initiatives have been recognised and we are proud to say that HRC is the recipient of the prestigious Prime Minister's Hibiscus Award 2021/2022, for Excellent Achievement in the Environmental Performance category. This is an endorsement to HRC's accomplishments for making positive impact to the environment, and the exemplary leadership in this field.




Prime Minister's Hibiscus Award 2021/2022
Excellent Achievement in Environmental Performance

“We were thus proud to receive the Prime Minister’s Hibiscus Award (PMHA) for the 2021/2022 cycle, where we have won the Excellent Achievement Award in Environmental Performance category. This is an endorsement to HRC’s accomplishments for making positive impact to the environment, and the exemplary leadership in this field”.

Contributing further in the global effort to tackle decarbonisation efforts and address climate issues, HRC has set the aspiration to achieve net zero carbon emissions by 2050, and the Company’s establishment of the ESG Framework is a crucial step forward. Formalising these commitments, the Board has nominated the Board Risk Management Committee (BRMC) to supervise climate related issues such as strategy and risk management, and the Board Projects Review Committee (BPRC) to oversee climate-action related projects.

The Energy Masterplan developed, comprehensively supports HRC’s commitment to reduce our carbon footprint. This Energy Masterplan has now become part of the HRC Sustainability Pathway to support HRC’s commitment to net zero carbon emissions.


 Details of our climate-related risks management can be read on pages 44 and 45 of this annual report.

GOVERNANCE & INTEGRITY STEWARDSHIP

In its role as steward, the Board practices high standards of corporate governance. The independence and diversity in thought among our Board of Directors goes a long way towards determining HRC’s sustainable development.

HRC also continues to commit to the highest level of integrity. In FY2022, during the annual Business Integrity Week, an “ICARE for Integrity” programme was organised by the Risk & Integrity Department aimed at fortifying a culture of integrity at our workplace. The programme comprised a series of talks by professional speakers that explored a range of themes relating to integrity at workplace and culminated with an Integrity Race.

The programme created awareness on the risks and liabilities actions without integrity can expose oneself to, and how every person of integrity makes a positive difference to business sustainability.

 Details of our corporate governance efforts can be read on pages 58 to 68 of this annual report.

FY2022 DIVIDENDS

Given the financial performance and market volatility, the Board has decided that it would not be prudent for the Company to issue any additional dividends. Therefore, no final dividends have been declared for the financial year ended 31 December 2022.

MOVING INTO 2023

Horizontal and vertical headwinds is expected to be strong in 2023. We are placing highest level of attention to focus on optimising production volume at most efficient cost, supported by flexible financial management strategies. A major turnaround is planned in the second half of 2023 to ensure we maintain operational safety and uphold plant integrity to deliver excellent results to all our stakeholders

Environmental, Social, and Governance (ESG) considerations are becoming increasingly important for companies operating in the oil and gas industry to manage risks, ensure sustainable operations, and meet the expectations of stakeholders, including investors, customers, and communities. We will be putting in more effort and commitment in seeing this through where the Management is expected to rollout an ESG Framework before the end of 2023. We are making this commitment that involves integrating sustainability and

responsible practices into our operations, to help minimise impacts to the environment.

On the social front, we are working towards maintaining a safe work environment, fostering diversity and inclusion, and contributing to the communities where we operate. In the area of governance, we are committed to uphold ethical business conduct and transparent reporting.

ACKNOWLEDGEMENTS

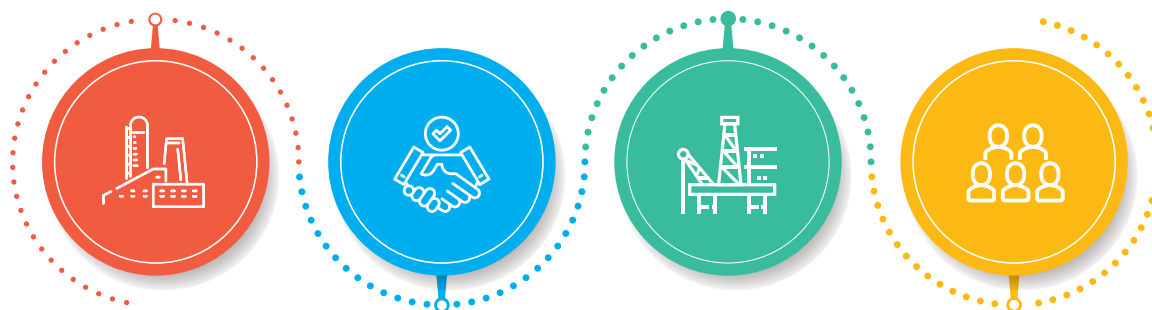
The HRC Corporate Office in Kuala Lumpur at Mercu 2, KL Eco City, was opened in January 2023. Our presence in Kuala Lumpur enables another level of access, dealings and engagement with our many stakeholders. In addition, this will also enlarge access to pool of talents and resources needed to further upgrade management and governance of HRC.

As a final point, I would like to express my gratitude to the drivers of our growth, our dedicated employees, valued customers, trusted partners and shareholders, for their continued support. As we look ahead, we remain committed to enhancing value delivery, improving our operations and continuing to operate in a sustainable, responsible and safe manner.

Wang, YouDe
Chairman

OUR STRENGTHS

Hengyuan Refining Company Berhad (HRC or Company) stands strong on an established world-class corporate culture and good operating principles gleaned from our heritage and from our current major shareholder’s refining capabilities and expertise.



OUR HERITAGE

HRC is a landmark refinery operator that supplies a significant volume of Malaysia’s oil products needs. We have played a dynamic role in Malaysia’s economic and social fabric since our establishment in 1960. From a single crude distiller with an operating capacity of 20,000 barrels per day, we have grown to be the nation’s third largest complex refinery with a licensed capacity of 156,000 barrels per day.

OUR COMMITMENT

As a responsible operator, HRC consistently contributes to economic, educational, environmental, safety, social and welfare initiatives in the country. The refinery’s safety and reliability are in compliance with the legislative requirements of the Department of Occupational Safety and Health Malaysia.

Investing to be future-ready, we have also initiated projects required to meet specifications mandated by the Malaysian governing authorities and which are integral not only to HRC’s contribution towards nation building, but will also enable a dynamic and sustainable growth.

OUR ANCHOR

Shandong Hengyuan Petrochemical Company Limited (SHPC) owns a 51% stake in HRC via Malaysia Hengyuan International Limited since December 2016. Founded in 1970 and incorporated in 1997 as an independent oil refinery, SHPC has achieved multiple accolades over the years as one of the Top 100 Leading Enterprises in Shandong and one of the Top 500 Chinese Chemical Enterprises. SHPC’s proven expertise and technical capabilities provide beneficial synergies and support for HRC’s growth as a complex refinery capable of delivering high performance products and profitability.

OUR PEOPLE

Based in Port Dickson, we are one of the largest economic contributors to the state, and have provided employment to three generations of the surrounding community. Our employees are predominantly Malaysians, and we are supported by several international employees. The overall team has a very wide range of experience and skills.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Wang, YouDe

Chairman
Non-Independent Non-Executive Director

Wang, ZongQuan

Deputy Chairman
Non-Independent Non-Executive Director

Alan Hamzah Sendut

Independent Non-Executive Director

Fauziah Hisham

Independent Non-Executive Director

Surinderdeep Singh Mohindar Singh

Independent Non-Executive Director

Tai Sook Yee

Independent Non-Executive Director
(Appointed on 1 November 2022)

BOARD AUDIT COMMITTEE

Alan Hamzah Sendut (Chair)
Fauziah Hisham
Surinderdeep Singh Mohindar Singh
Tai Sook Yee

BOARD NOMINATING AND REMUNERATION COMMITTEE

Surinderdeep Singh Mohindar Singh (Chair)
Wang, YouDe
Fauziah Hisham

BOARD RISK MANAGEMENT COMMITTEE

Wang, ZongQuan (Chair)
Alan Hamzah Sendut
Tai Sook Yee

BOARD PROJECTS REVIEW COMMITTEE

Wang, ZongQuan (Chair)
Wang, YouDe
Surinderdeep Singh Mohindar Singh

BOARD TENDER COMMITTEE

Wang, YouDe (Chair)
Wang, ZongQuan
Alan Hamzah Sendut

BOARD WHISTLEBLOWING COMMITTEE

Surinderdeep Singh Mohindar Singh (Chair)
Wang, YouDe
Alan Hamzah Sendut

SECRETARIES

Lim Hooi Mooi
(SSM PC No 201908000134/
MAICSA No 0799764)

Ong Wai Leng
(SSM PC No 202208000633/
MAICSA No 7065544)

AUDITORS

PricewaterhouseCoopers PLT
1 Sentral, Jalan Rakyat
Kuala Lumpur Sentral
P.O. Box 10192
50706 Kuala Lumpur
Tel : +603-2173 1188
Fax : +603-2173 1288

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
Tel : +603-2783 9299
Fax : +603-2783 9222

AGM HELP DESK

Tricor Customer Service Centre

Unit G-3, Ground Floor
Vertical Podium
Avenue 3, Bangsar South
No 8, Jalan Kerinchi
59200 Kuala Lumpur

STOCK EXCHANGE LISTING

Main Board of

Bursa Malaysia Securities Berhad

Stock Name : HENGYUAN
Stock Code : 4324
Sector : Energy
Sub Sector : Oil & Gas Producers

REGISTERED OFFICE

Unit 30-01, Level 30, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel : +603-2783 9191
Fax : +603-2783 9111

BUSINESS OFFICE ADDRESS

Batu 1, Jalan Pantai
71000 Port Dickson
Negeri Sembilan
Tel : +606-641 2000

CORPORATE OFFICE ADDRESS

Unit 36.02, Level 36, Mercu 2
No 3, Jalan Bangsar, KL Eco City
59200 Kuala Lumpur
Tel : +603-2780 1060

GENERAL BUSINESS PRINCIPLES

HRC's commitment to operating as a sustainable business requires that we integrate economic, environmental and social considerations from planning to execution. In all that we do, HRC is guided by the following eight general business principles.



BUSINESS INTEGRITY

HRC insists on honesty, integrity and fairness in all aspects of our business and expects the same in our relationships with all those with whom we do business. The direct or indirect offer, payment, soliciting or acceptance of bribes in any form is unacceptable. Facilitation payments are also bribes and must not be made.

Employees must avoid conflicts of interest between their private activities and their part in the conduct of the Company's business. Employees are also required to declare any potential conflicts of interest. All business transactions on behalf of HRC must be reflected accurately and fairly in the accounts of the Company in accordance with established policies and procedures and are subject to audit and disclosure.



ECONOMIC

Long-term profitability is essential to achieve our business goals and to assure our continued growth. It is a measure of both efficiency and the value customers place on HRC's products and services. It underpins the necessary corporate resources for the continuing investment that is required to develop and produce future energy supplies to meet customer needs.

Without profits and a strong financial foundation, it would not be possible to fulfil our responsibilities. Criteria for investment and divestment decisions include sustainable development considerations (economic, social and environmental) and an appraisal of the risks of the investment.



QUALITY, HEALTH, SAFETY, SECURITY & ENVIRONMENT

HRC has a systematic approach to health, safety, security and environmental management in order to achieve continuous performance improvement. To this end, we manage these matters as critical business activities, set standards and targets for improvement, and measure, appraise and report performance externally. We continually look for ways to reduce any negative environmental impact of our operations, products and services.



COMMUNICATION AND ENGAGEMENT

HRC recognises that regular dialogue and engagement with our stakeholders is essential. We are committed to reporting our performance by providing full relevant information to legitimately interested parties, subject to any overriding considerations of business confidentiality. In our interactions with employees, business partners and local communities, we seek to listen and respond honestly and responsibly.



COMPETITION

HRC supports free enterprise. We seek to compete fairly and ethically and within the framework of applicable competition laws; we will not prevent others from competing freely with us.



COMPLIANCE

We comply with all applicable laws and regulations of Malaysia, and the countries where we have business dealings.



LOCAL COMMUNITIES

HRC aims to be a good neighbour by continuously improving the ways in which we contribute directly or indirectly to the general well-being of the communities within which we work. We manage the social impact of our business activities carefully and work with others to enhance benefits to local communities and to mitigate any negative impact as a result of our activities.

In addition, HRC takes a constructive interest in societal matters directly or indirectly related to our business.



POLITICAL ACTIVITIES

A. Of Company

HRC acts in a socially responsible manner within the laws of Malaysia, and the laws of countries with which we have dealings in pursuit of our legitimate commercial objectives. HRC does not make payments to political parties, organisations or their representatives. HRC does not take part in party politics. When dealing with Government, HRC has the right and the responsibility to make our position known on any matters which affect us, our employees, our customers, our shareholders or local communities, in a manner which is in accordance with our core values and General Business Principles.

B. Of Employees

Where individuals wish to engage in activities in the community, including standing for election to public office, they will be given the opportunity to do so where this is appropriate.



FINANCIAL CALENDAR

2022

25 May

63rd AGM

30 May

Unaudited financial results for the 1st Quarter ended 31 March 2022

30 August

Unaudited financial results for the 2nd Quarter ended 30 June 2022

29 November

Unaudited financial results for the 3rd Quarter ended 30 September 2022

2023

28 February

Unaudited financial results for the 4th Quarter ended 31 December 2022

21 April

Notice of 64th AGM

24 May

64th AGM



NOTICE OF 64TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Sixty-Fourth Annual General Meeting (“64th AGM” of Hengyuan Refining Company Berhad (“the Company”) will be held entirely through live streaming from the broadcast venue at **Spectrum Room, Level 3A, Connexion Conference & Event Centre, Nexus Bangsar South City, No 7, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia (“Broadcast Venue”)** on **Wednesday, 24 May 2023 at 10.00 a.m.** to transact the following businesses:

AGENDA

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2022 and the Reports of the Directors and Auditors thereon.
[Please refer to Note (a)]
2. To re-elect the following Directors retiring in accordance with Article 81(c) of the Constitution of the Company, and who being eligible, have offered themselves for re-election:
 - i) Mr Wang, ZongQuan **(Ordinary Resolution 1)**
 - ii) Puan Fauziah Hisham **(Ordinary Resolution 2)***[Please refer to Note (b)]*
3. To re-elect Ms Tai Sook Yee who is retiring in accordance with Article 81(h) of the Constitution of the Company, and who being eligible, has offered herself for re-election. **(Ordinary Resolution 3)**
[Please refer to Note (c)]
4. To re-appoint Messrs PricewaterhouseCoopers PLT as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 4)**
5. To approve payment of Non-Executive Directors’ fees and benefits of up to RM2,300,000.00 for the period from 1 June 2023 until 31 May 2024. **(Ordinary Resolution 5)**
[Please refer to Note (d)]

Notice of 64th Annual General Meeting

SPECIAL BUSINESS

To consider and if thought fit, to pass, with or without modifications, the following resolutions:-

6. **PROPOSED RENEWAL OF AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016** **(Ordinary Resolution 6)**

“THAT subject to Sections 75 and 76 of the Companies Act 2016 (“the Act”), Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and the approval of the relevant regulatory authorities, where such approval is required, the Directors of the Company be and are hereby authorised to issue and allot shares in the capital of the Company, grant rights to subscribe for shares in the Company, convert any securities into shares in the Company, or allot shares under an agreement or option or offer (“New Shares”) from time to time, at such price, to such persons and for such purposes and upon such terms and conditions as the Directors may in their absolute discretion deem fit, provided that the aggregate number of such New Shares to be issued and allotted, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer, pursuant to this resolution, when aggregated with the total number of any such shares issued during the preceding 12 months does not exceed 10 per cent of the total number of issued shares (excluding treasury shares) of the Company for the time being (“Proposed 10 per cent General Mandate”) **AND THAT** such authority shall continue to be in force until the conclusion of the next Annual General Meeting (“AGM”) of the Company or at the expiry of the period within which the next AGM is required to be held after the approval was given, whichever is the earlier, unless such approval is revoked or varied by the Company at a general meeting.”

[Please refer to Note (e)]

7. **PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK** **(Ordinary Resolution 7)**

“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 per cent”) of the total number of issued shares of the Company as quoted on Bursa Securities as at point of purchase; and
- ii. the maximum fund 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 after that date is required by law to be held; or
- c. revoked or varied by ordinary resolution passed by the shareholders in 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.

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 and/or its subsidiaries;
- 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."

[Please refer to Note (f)]

Notice of 64th Annual General Meeting

8. **PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE AND PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE** **(Ordinary Resolution 8)**

"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 21 April 2023 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 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 a 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."

[Please refer to Note (g)]

9. To transact any other business of the Company of which due notice shall have been given in accordance with the Companies Act 2016 and the Constitution of the Company.

BY ORDER OF THE BOARD

Lim Hooi Mooi (SSM PC No. 201908000134/MAICSA No. 0799764)
Ong Wai Leng (SSM PC No. 202208000633/MAICSA No. 7065544)
Company Secretaries

Dated this 21 April 2023
Kuala Lumpur

NOTES:

1. The 64th AGM will be conducted on a fully virtual basis through live streaming and online remote voting via Remote Participation and Voting (“RPV”) facilities which are available on Tricor Investor & Issuing House Services Sdn Bhd’s (“Tricor”) TIH Online website at <https://tiih.online>.

2. The Broadcast Venue of the AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairperson of the meeting to be present at the main venue of the meeting. **NO SHAREHOLDERS/PROXY(IES) WILL BE ALLOWED TO BE PHYSICALLY PRESENT AT THE BROADCAST VENUE.**

3. Shareholders may exercise their right to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, “participate”) remotely at the 64th AGM via the RPV provided by Tricor via its **TIH Online website at <https://tiih.online>**.

Please refer to the “Procedures for RPV” in the Administrative Guide for the Company’s 64th AGM and take note of Notes (4) to (16) below in order to register, participate and vote remotely via the RPV facilities.

4. For the purpose of determining a member who shall be entitled to attend, vote and speak at the AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company a **Record of Depositors** as at **16 May 2023** and only a depositor whose name appears on the Record of Depositors shall be entitled to attend, vote and speak at the Meeting or appoint proxy(ies) to attend, vote and speak in his stead.

5. A member who is entitled to participate in this AGM via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his/her place. A proxy may but need not be a member of the Company.

6. A member of the Company who is entitled to attend and vote at a general meeting of the Company may appoint not more than two (2) proxies to participate instead of the member at the AGM via RPV. A member may appoint more than one proxy in relation to a meeting, provided that the member specifies the proportion of the member’s shareholdings to be represented by each proxy.

7. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (Omnibus Account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.

8. Where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

9. A proxy need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.

10. The instrument appointing a proxy shall be in writing and signed by the appointor or by his attorney who is authorised in writing. In the case of a corporation, the instrument appointing a proxy or proxies must be made under seal or signed by an officer or an attorney duly authorised.

11. The signature to the instrument appointing a proxy or proxies executed outside Malaysia must be attested by a solicitor, notary public, consul or magistrate.

12. A member who wishes to participate and vote at this AGM via RPV or a member who has appointed a proxy or attorney or authorised representative to participate and vote at this AGM via RPV **must sign up or request that his/her proxy sign up as a RPV user at the TIH Online website at <https://tiih.online>**.

Members or proxies who have registered as a RPV user **must register to attend and participate at the AGM via RPV (“AGM Registration”). AGM Registration is open from Tuesday, 25 April 2023 up to Wednesday, 24 May 2023.** Please follow the steps contained in the “Procedures for RPV” section of the Administrative Guide for the Company’s 64th AGM.

13. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time set for holding the AGM at which the person named in the appointment proposes to vote:-

(i) In Hard Copy Form

The proxy form must be deposited by post or by hand at the office of the share registrar of the Company, Tricor Investor & Issuing House Services Sdn. Bhd. at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or at its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.

(ii) By Electronic Form

The proxy form can be electronically lodged via Tricor’s TIH Online website at <https://tiih.online>. Kindly refer to the Administrative Guide on the procedure for electronic lodgement of proxy form via TIH Online.

The last date and time for lodging the proxy form is **Monday, 22 May 2023 at 10.00 a.m.** We recommend that the appointment of proxy be done as early as possible so that the appointed proxy has sufficient time to complete the AGM Registration.

14. Original copies of the appointments of corporate representative or power of attorney can be submitted either by hard copy or electronically in accordance with the instructions for lodgment in Note 13 above.

15. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.

16. The certificate of appointment should be executed in the following manner:

(i) If the corporate member has a common seal, the certificate of appointment should be executed under seal in accordance with the constitution of the corporate member.

(ii) If the corporate member does not have a common seal, the certificate of appointment should be affixed with the rubber stamp of the corporate member (if any) and executed by:

(a) at least two (2) authorised officers, of whom one shall be a director; or

(b) any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.

Notice of 64th Annual General Meeting

Explanatory Notes:

a. Agenda No 1

This item is meant for discussion only. The provisions of Section 340(1)(a) of the Act require that the audited financial statements and the Reports of the Directors and Auditors thereon be laid before the Company at its AGM. As such, this Agenda item is not a business which requires a resolution to be put to vote by shareholders.

b. Ordinary Resolutions No 1 and No 2

Article 81(c) of the Constitution of the Company provides that one-third (1/3) or the number nearest to one-third (1/3) of the Directors for the time being, shall retire from office at the conclusion of every annual general meeting, provided always that all Directors shall retire from office at least once in every three (3) years, but shall be eligible for re-election. As the Board currently consists of six (6) directors, two (2) shall retire in accordance with Article 81(c) at the upcoming AGM.

For the purposes of determining the eligibility of the Director to stand for re-election at the 64th AGM, the Board through the Board Nominating and Remuneration Committee ("BNRC") had considered the following:

- (i) The tenure of the Director and the Company's Directors' Rotation List;
- (ii) The Director's performance, based on results of the Board Effectiveness Assessment for the year 2022 ("BEA 2022") which were conducted using peer and self reviews;
- (iii) The Director's expertise, skills, knowledge and core competencies; and
- (iv) The Director's level of contribution to the Board, taking into account the key business strategies.

On 28 March 2023, the BNRC endorsed and recommended to the Board the re-election of Mr Wang, ZongQuan and Puan Fauziah Binti Hisham as Directors of the Company.

The BNRC supports the re-election of Mr Wang, ZongQuan as a Director of the Company for the following reasons:

- (i) He has a relevant mix of experience, skill, knowledge, expertise and core competency that is beneficial to the Company, including industry specific knowledge and oil and gas business strategy, project management and engineering, as well as commercial economics and scheduling;
- (ii) He keeps abreast with his responsibilities as a director and of the conduct, business activities and development of the Company, ensure that feedback received from stakeholders is considered by the Company when making business decisions; and
- (iii) In his role as Deputy Chairman of the Company, he demonstrates and commands effective leadership of the Board, oversees effective decision-making process and ensures crucial alternatives are considered.

The BNRC supports the re-election of Puan Fauziah Binti Hisham as a Director of the Company for the following reasons:

- (i) She has a relevant mix of experience, skill, knowledge, expertise and core competency that is beneficial to the Company, including banking, accounting and finance, internal controls, audit, corporate governance, regulatory compliance and human resource and development;
- (ii) She brings an independent judgement to bear on issues of accountability, objectivity, strategy, performance and adequacy of systems and controls; and
- (iii) She makes use in her role having due regard to knowledge, skills and behaviour, pro-active in discussing any concerns, exhibit openness and transparency.

Based on the recommendations of the BNRC and the considerations as set out above, the Board approved and supported the re-election and re-appointment of Mr Wang, ZongQuan and Puan Fauziah Binti Hisham as Directors of the Company on 28 March 2023.

Mr Wang, ZongQuan and Puan Fauziah Binti Hisham had abstained from the deliberation and decision of their eligibilities to stand for re-election at the relevant BNRC and Board meetings.

c. Ordinary Resolution No 3

Article 81(h) of the Constitution of the Company provides that any Director appointed during the year shall hold office only until the next AGM and shall be eligible for re-election.

Ms Tai Sook Yee was appointed as Independent Non-Executive Director of the Company on 1 November 2022, and she has offered herself for re-election at this AGM.

d. Ordinary Resolution No 5

This resolution is to facilitate payment of Non-Executive Directors' fees and benefits for the period from 1 June 2023 to 31 May 2024.

In the event the Non-Executive Directors' fees and benefits proposed are insufficient (e.g. due to more meetings or enlarged Board size), approval will be sought at the next AGM for additional fees to meet the shortfall.

Directors' benefits include meeting allowances and other emoluments payable to Directors and in determining the estimated total, the Board had considered various factors including the number of scheduled meetings for the Board and Board Committees and covers the period from 1 June 2023 to 31 May 2024.

e. Ordinary Resolution No 6

The proposed Resolution No 6, if passed, will empower the Directors of the Company to issue and allot ordinary shares of the Company from time to time and to grant rights to subscribe for shares in the Company, convert any securities into shares in the Company, or allot shares under an agreement or option or offer, provided that the aggregate number of shares allotted pursuant to this resolution does not exceed 10% of the total number of issued shares (excluding treasury shares) of the Company.

This proposed Resolution is a renewal of the previous year's mandate. The mandate is to provide flexibility to the Company to issue new securities under the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional costs and time.

The purpose of this general mandate, if passed, will enable the Directors to take swift action in case of a need to issue and allot new shares in the Company for fund raising exercise including but not limited to further placement of shares for the purposes of funding current and/or future investment projects, working capital, repayment of bank borrowings, acquisitions and/or for issuance of shares as settlement of purchase consideration, or other circumstances arise which involve grant of rights to subscribe for shares, conversion of any securities into shares, or allotment of shares under an agreement or option or offer, or such other application as the Directors may deem fit in the best interest of the Company.

As at the date of this notice, the Company did not implement its proposal for new allotment of shares under the general mandate pursuant to Sections 75 and 76 of the Act which was approved by the shareholders at the 63rd AGM held on 25 May 2022 and will lapse at the conclusion of the 64th AGM to be held on 24 May 2023. As at the date of this notice, there is no decision to issue new shares. Should there be a decision to issue new shares after the general mandate is sought, the Company will make an announcement of the actual purpose and utilisation of proceeds arising from such issuance of shares.

f. Ordinary Resolution No 7

The proposed Resolution No 7, if passed, will empower the Directors to purchase, on behalf of the Company, up to 10% of the total number of issued shares of the Company by utilising the funds allocated which shall not exceed the retained profits of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

For further information, please refer to the Share Buy-Back Statement dated 21 April 2023 accompanying the Company's Annual Report for the financial year ended 31 December 2022.

g. Ordinary Resolution No 8

The proposed Ordinary Resolution 8 is to seek renewal of the Shareholders' Mandate and approval for the new Shareholders' Mandate to allow the Company and/or its subsidiaries to enter into Recurrent Related Party Transactions of a Revenue or Trading Nature and to enable the Company to comply with Paragraph 10.09, Part E of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The mandate will take effect from the date of the passing of the ordinary resolution until the next AGM of the Company unless it is revoked or varied at a general meeting. For further information, please refer to the Circular to Shareholders dated 21 April 2023 accompanying the Company's Annual Report for the financial year ended 31 December 2022.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(PURSUANT TO PARAGRAPH 8.27(2) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD)

1. The profile of the Directors who are standing for re-election as per Agenda 2 and Agenda 3 of the Notice of the 64th AGM are as follows:

(i) PROFILE OF WANG, ZONGQUAN

Wang, ZongQuan

Non-Independent Non-Executive Director

Nationality/Age/Gender

Chinese • 60 • Male

Date of Appointment

22 December 2016

Length of Service

6 years, 5 months, 3 days (As of 24 May 2023)

Date of Last Re-election

23 June 2020

Academic Qualification

Degree in Chemical Machinery, Chengdu Institute of Water Conservancy and Hydropower Survey and Design

Experience

Over 30 years of experience in production management, units installation, projects construction and enterprise management of the petrochemical business including as:

- Deputy General Manager, Shandong Hengyuan Petrochemical Company Limited (2002-present)
- Various leadership positions in refining, units installation and management departments of the petrochemical business in Shandong Hengyuan Petrochemical Company Limited including as Head of the Equipment Control department of an installation engineering company within the Group (1988-2002)

Directorship of other Listed Issuers/ Public Companies

None

Membership of Board Committees in HRC

- Chair of Board Risk Management Committee
- Chair of Board Projects Review Committee
- Member of Board Tender Committee

Wang, ZongQuan has no family relationship with any other Director and/or major shareholder of the Company. He has no conflict of interests with the Company and has not been charged with any offence within the past 10 years.

Wang, ZongQuan does not hold any shares in the Company.

Statement Accompanying Notice of Annual General Meeting

(PURSUANT TO PARAGRAPH 8.27(2) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD)

(ii) PROFILE OF FAUZIAH HISHAM

Fauziah Hisham

Independent Non-Executive Director

Nationality/Age/Gender

Malaysia • 67 • Female

Date of Appointment

1 June 2017

Length of Service

5 years, 11 months, 24 days (As of 24 May 2023)

Date of Last Re-election

23 June 2020

Professional Memberships

- Fellow of The Chartered Governance Institute, United Kingdom
- Qualified Risk Director, Institute of Enterprise Risk Practitioners

Experience

Over 30 years of experience in the banking industry with various leadership roles, including as:

- Chairman of the Board of Directors, J.P. Morgan Chase Bank Berhad (2015-2018)
- Country Group Representative & Executive Director, Institutional Banking, Australia & New Zealand Banking Group Ltd (2008-2014)
- Managing Director, Strategic Client Coverage Group, Standard Chartered Bank Malaysia Berhad (2006-2008)
- Chief Executive Officer, J.P. Morgan Chase Bank Berhad (2002-2006)

Directorship of other Listed Issuers/ Public Companies

- Agensi Kaunseling & Pengurusan Kredit (a subsidiary of Bank Negara Malaysia)
- Malayan Banking Berhad
- Maybank Ageas Holdings Berhad
- Maybank Philippines Inc
- Maybank Trustees Berhad

Membership of Board Committees in HRC

- Member of Board Audit Committee
- Member of Board Nominating and Remuneration Committee

Fauziah Hisham has no family relationship with any other Director and/or major shareholder of the Company. She has no conflict of interests with the Company and has not been charged with any offence within the past 10 years.

Fauziah Hisham does not hold any shares in the Company.

(iii) PROFILE OF TAI SOOK YEE**Tai Sook Yee**

Independent Non-Executive Director

Nationality/Age/Gender

Malaysia • 60 • Female

Date of Appointment

1 November 2022

Length of Service

6 months, 24 days (As of 24 May 2023)

Professional Memberships

- Member of Malaysian Institute of Accountants (MIA)
- Member of Malaysian Institute of Certified Public Accountants (MICPA)

Experience

- 36 years of finance, governance and regional business experience across multiple industries
- 30 years of business leadership positions, and senior management roles in finance, strategy and investments, in heavy building materials, industrial supply chain, maritime, port & logistics, and oil & gas businesses, in:
 - IMC Pan Asia Alliance Group (2007-2019), as:
 - ▶ Chief Operating Officer, OCTAVE Institute (2018-2019)
 - ▶ Executive Director, AITIA Institute (2016-2020)
 - ▶ Group Managing Director, IMC Industrial Group (2012-2016)
 - ▶ Head of Chairman's Office, IMC Pan Asia Alliance Group (2009-2012)
 - ▶ Head of Group Strategies and Investments, IMC Pan Asia Alliance Group (2007-2009)

- CEMEX Malaysia, as Country Director (2003-2007)
- RMC Group Services, as Regional Controller, IMEA (India, Middle East, Asia) (2001-2003)
- Golden Plus Holdings Berhad, as General Manager, Finance & Corporate Services (1992-2001)
- Bumiputra Merchant Bankers Berhad, as Corporate Finance Advisor (1990-1992)
- Served with KPMG Malaysia and KPMG USA (1982-1990)
- Directorships on boards of companies listed in Malaysia and Australia:
 - Hume Cement Industries Berhad (2018-present)
 - ▶ Independent Non-Executive Director
 - ▶ Chair, Board Audit & Risk Management Committee
 - ATLAS Iron Limited, ASX Listed (2010-2015)
 - ▶ Non-Executive Director
 - ▶ Chair, Remuneration and Nomination Committee
 - LINQ Capital Limited, ASX Listed, Non-Executive Director (2010-2012)

**Directorship of other Listed Issuers/
Public Companies**

- Hume Cement Industries Berhad

Membership of Board Committees in HRC

- Member of Board Audit Committee
- Member of Board Risk Management Committee

Tai Sook Yee has no family relationship with any other Director and/or major shareholder of the Company. She has no conflict of interests with the Company and has not been charged with any offence within the past 10 years.

Tai Sook Yee does not hold any shares in the Company.

2. Details of the general mandate to issue shares in the Company pursuant to Sections 75 and 76 of the Companies Act 2016 are set out in Explanatory Note (f) of the Notice of AGM.



The background image shows a control room with a person in an orange safety suit and hard hat working at a console with multiple monitors. The room has large windows and various pieces of equipment.

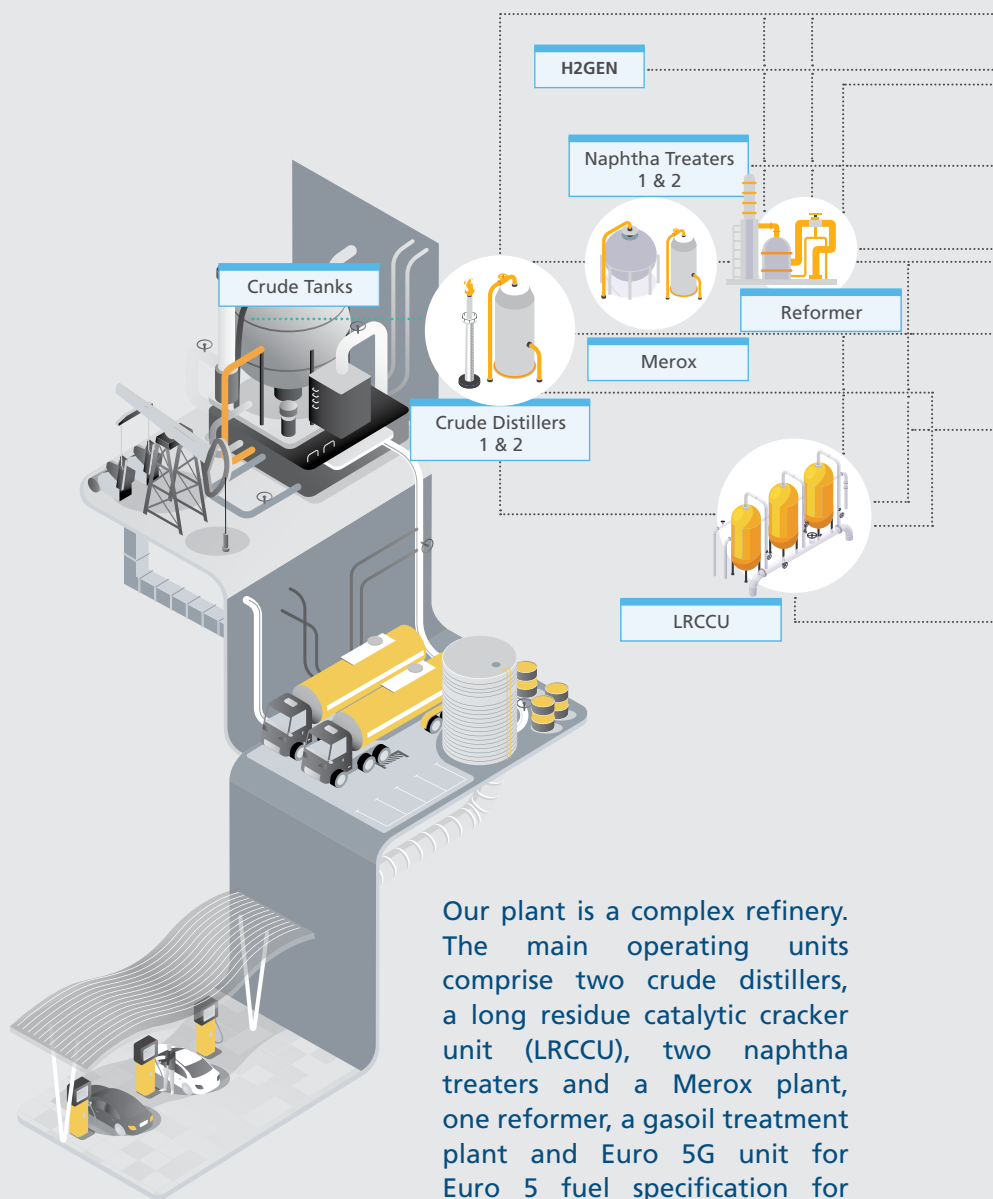
POWERING PROGRESS BY STRENGTHENING A CONTINUOUS IMPROVEMENT MINDSET

BUSINESS OVERVIEW

OUR BUSINESS

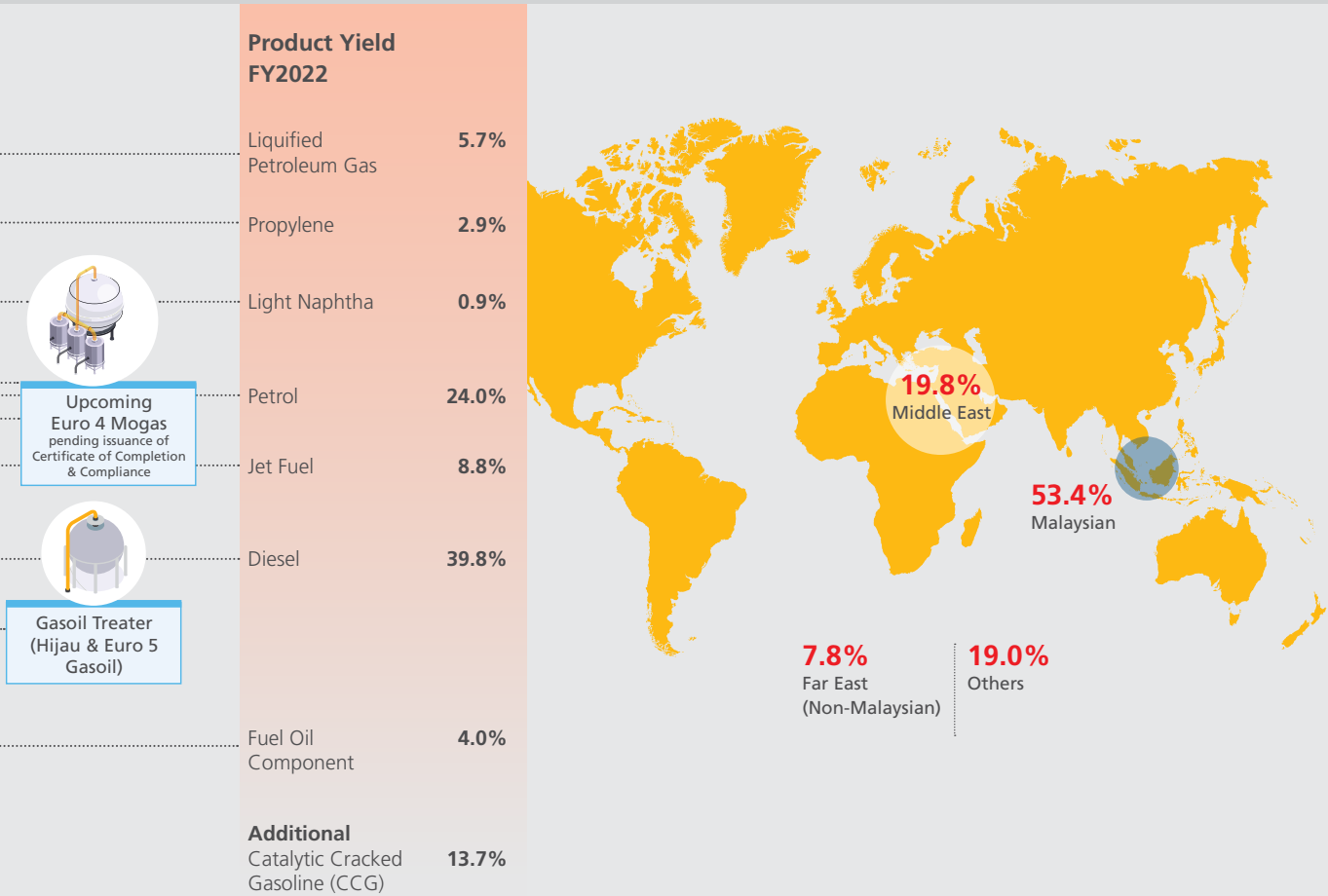
- ▶ Hengyuan Refining Company Berhad (HRC or the Company) stands tall as one of the largest refineries in Malaysia, providing significant fuel needs for the country since 1963.
- ▶ Based in Port Dickson, Negeri Sembilan, HRC has been operating for six decades and continues to play an integral and reliable role in the nation's oil and gas industry and to the surrounding community.
- ▶ We process crude oil from Malaysia and all over the world and have the capacity to deliver an average of up to 156,000 barrels per day of petroleum products to customers, mainly in Malaysia and Southeast Asia.
- ▶ Presently, our business activities are focused on refining and processing crude oil, refinery operations and maintenance, and supplying refined products to our customers.
- ▶ We supply through three channels: the multi-product pipeline to the Klang Valley and KLIA, our truck loading gantry for local (West Malaysia) customers and exporting to vessels through our jetty to East Malaysia and overseas markets.

AN OVERVIEW OF HRC'S REFINERY



Our plant is a complex refinery. The main operating units comprise two crude distillers, a long residue catalytic cracker unit (LRCCU), two naphtha treaters and a Merox plant, one reformer, a gasoil treatment plant and Euro 5G unit for Euro 5 fuel specification for diesel. These assets are well maintained with a strong focus on asset integrity and reliability. Two new units to produce Euro 4M fuel specification for petrol and to produce hydrogen were completed in 2022.

SOURCES OF CRUDE



Upcoming Euro 4 Mogas pending issuance of Certificate of Completion & Compliance



Gasoil Treater (Hijau & Euro 5 Gasoil)



Our comprehensive range of petroleum products include liquefied petroleum gas (LPG), petrol, jet fuel, diesel, fuel oil components, sulphur and chemical feedstocks (such as light naphtha and propylene).

OUR STRATEGIC COMPASS



Our Vision

To be a leading global energy and petrochemical company, pioneering sustainable solutions



Our Mission

We are committed to safeguard our operational integrity, be bold in our innovations, leverage the strength of our people, and to maximise stakeholder value



Our Core Values

INTEGRITY

- Honesty
- Ethical
- Openness
- Transparent
- Speak-up
- Speak the truth
- Hold to higher standards
- Walk the talk

COLLABORATION

- Teamwork
- Creating lasting partnerships
- Nurturing
- Making things happen together



RESPECT

- Care for each other
- Respect our stakeholders
- Diversity, Equity & Inclusion
- Treat others as you want to be treated



ACCOUNTABILITY

- Doing the right thing the right way
- "I take responsibility over my actions"
- "No passing on of the responsibility, the buck stops with me"
- Going the extra mile
- Leadership at all levels



ENTREPRENEURIAL

- Treat this as my own business by having an entrepreneurial mindset
- Proactive and nimble to take on new opportunities
- Courage to step outside the comfort zone
- Challenge status quo for better efficiencies
- Passionate
- Energetic

Together, these values form the **ICARE** acronym to make it easy for all employees to remember and adopt as a declaration of commitment that aligns personal values to those of Company. The internalisation of these core values is intensified during employee engagements.

In FY2022, during the annual Business Integrity Week, an "ICARE for Integrity" programme was organised by the Risk & Integrity Department aimed at fortifying a culture of integrity at our workplace. The programme comprised a series of talks by professional speakers that explored a range of themes relating to integrity at workplace and culminated with an Integrity Race.

OPERATIONAL EXCELLENCE FRAMEWORK FOR CONTINUOUS IMPROVEMENT

Though HRC continues to be guided by the five strategic focus areas that were introduced in 2020 (see page 32), foundations for Continuous Improvement (CI) were laid and introduced Company-wide in 2022 to create greater resilience in an increasingly fast-paced, ever-evolving market environment. The initiative was kick-started during the year with the onboarding of an Operational Excellence and Lean Head, followed by the encapsulation of the HRC Operational

Excellence framework – the new heartbeat of the ongoing business strategy.

By building capabilities, leadership support and programme stewardship that continuously overcome structural and behavioural obstacles to efficient value-delivery, the framework drives strategic, tactical, and operational transformations towards a more synergistic and streamlined approach.

Strategic Direction

- Achieving efficiencies by ongoing continuous improvements to reduce operational cost and by alignment of processes to best practices, in line with customers’ needs and requirements
- Increasing employee engagement by institutionalising CI capabilities and enhancing human net worth of the organisation

Strategies and Target Operating Model



Capability Development

Builds and deploys future state capabilities to achieve the organisation’s vision.

- **Development of people capability** to find, implement and sustain CI initiatives using Lean Sigma methodology
- **Quality Champions role as change agents** for OE and Lean
- **Modular approach for easy customisation of training components** and workforce development
- **Align with HR systems** generate substantially higher value than their peers



Leadership Building

Secures leadership sponsorship, department involvement and commitment to drive the change throughout the organisation.

- Align organisations to support OE and Lean Programme and **reporting on effectiveness and efficiency**
- **Strategic Alignment & Project Selection. Facilitate the process improvement projects and removing roadblocks**
- Exploration of **emerging ideas** for next year and beyond
- **Maintain constant Employee engagement**



Programme Stewardship

Provides governance and programme management that drives, integrates and coordinates the implementation roadmap.

- Develops the operations improvement **strategy, drive efficiencies (costs reduction & eliminate wastes) and improve effectiveness (better meet customer requirements)**
- **Modular programme design by stages** incorporating **change management and value realisation components** to increase the likelihood of a successful engagement
- **Project tracking and prioritisation for CI initiatives**, assists with realistic resource allocation

Enablers of Change



Project Management

LT/CI/Steering Committee, Training, Projects, Communication, Rewards & Recognition, Coaching, Certification



Change Management

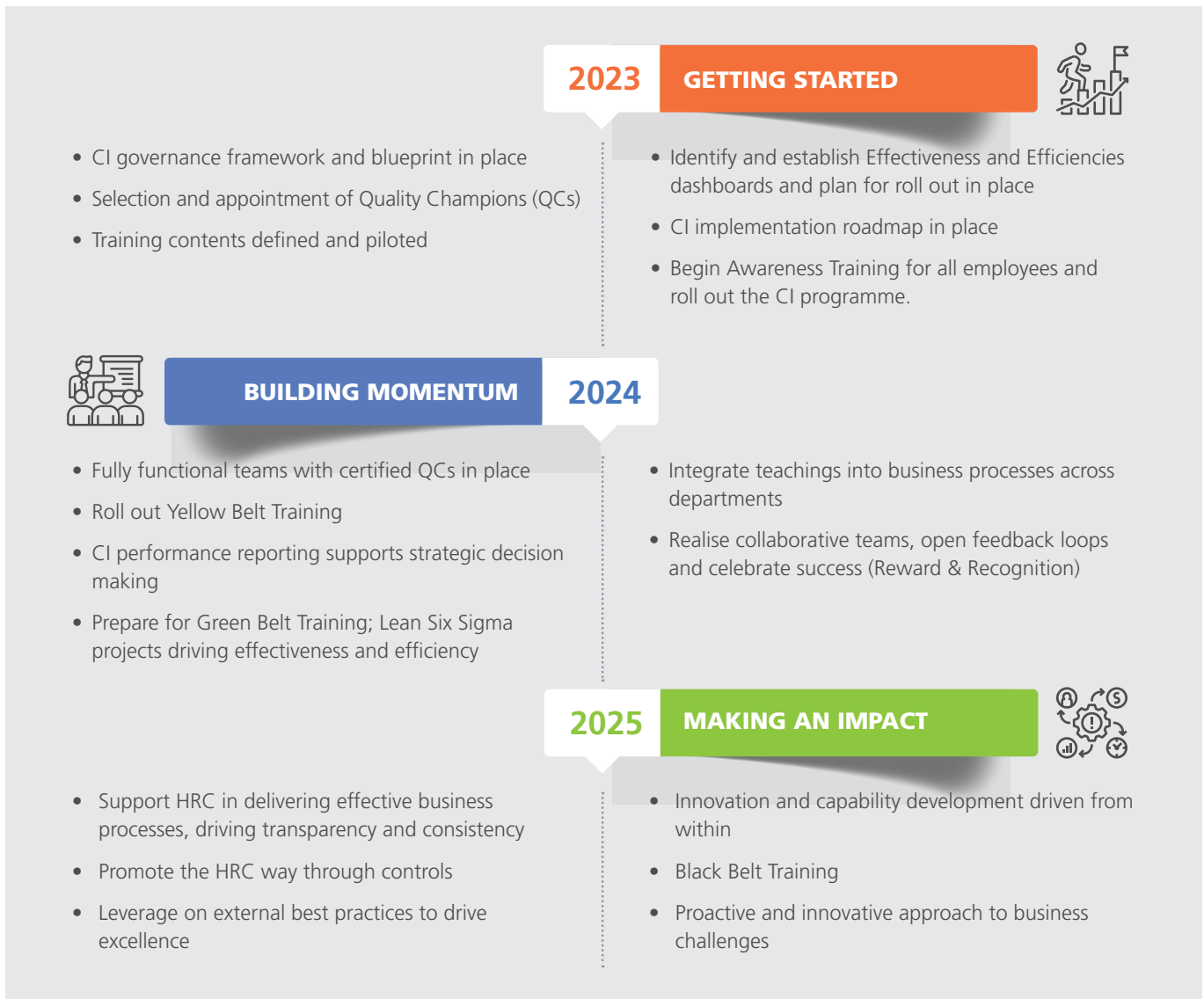
Quality Champion, Change Impact Analysis, Change Readiness, Stakeholder Management, Communication, Project Team Effectiveness, Organisation Change

Operational Excellence Framework for Continuous Improvement

The scale, scope and magnitude of the enhancements that would result from the implementation of CI is guided by a roadmap that is developed, directed and supported by the Management. The implementation roadmap as illustrated below, encompasses all key action items with end-to-end business

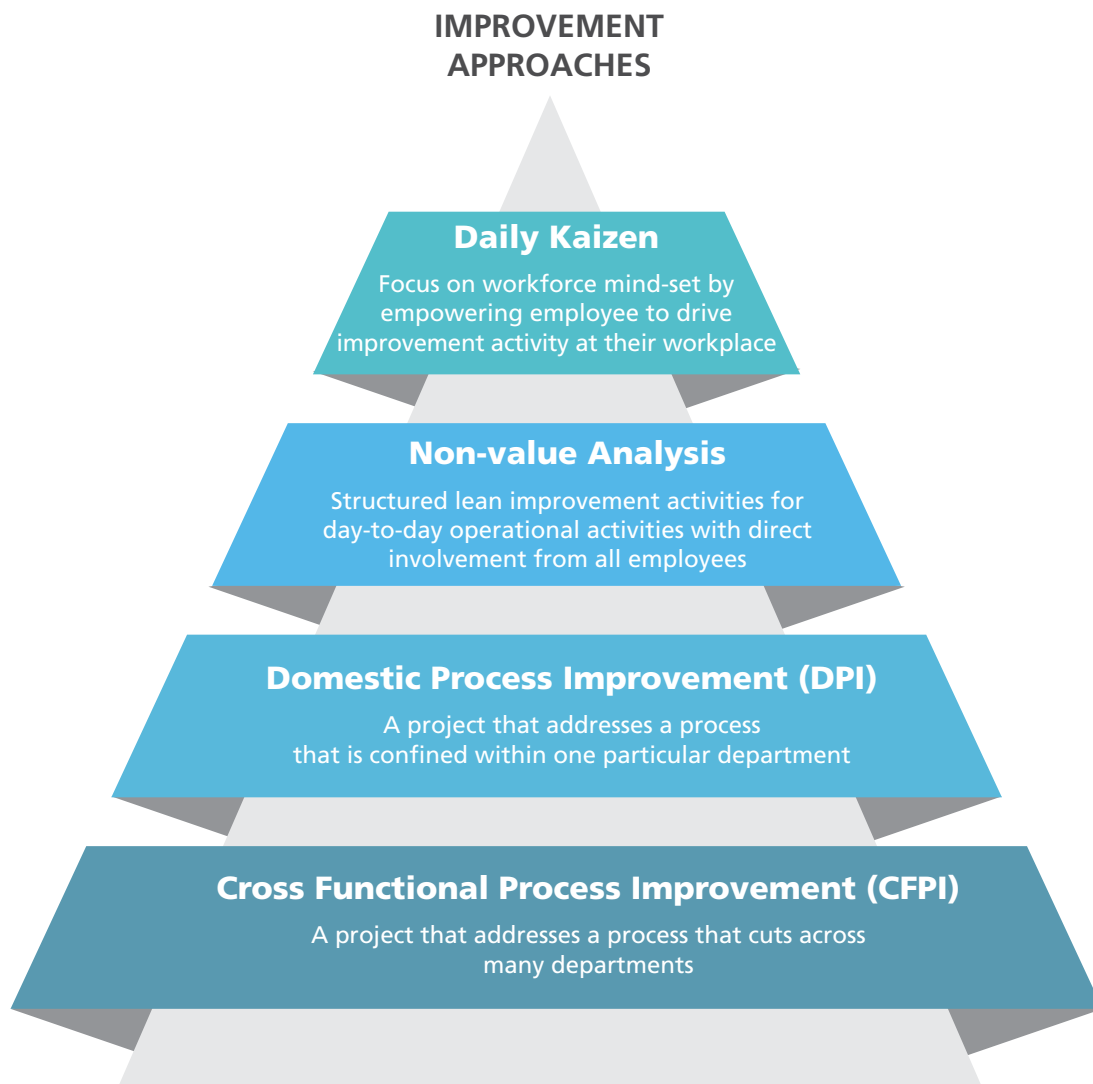
process focus for the delivery of operational cost savings and effectiveness improvements. The ultimate aim is to ensure a successful implementation that will help HRC build traction, maintain focus, and be resilient in committing to perform better by delivering marked improvements.

ROADMAP



Four different operational improvement approaches must be blended in as an integral part of the ongoing CI journey. Varied methodology is applied to address the process issues depending on the complexity of the problems and the scope of the process. All the “methods” of Lean Six Sigma and the “mindset” of daily kaizen are to be implemented in a mutually supportive manner to give maximum value and results in HRC’s service, quality and business goals.

FOUR DIFFERENT OPERATIONAL IMPROVEMENT APPROACHES THAT EACH DELIVER VALUE IN DIFFERENT SITUATIONS





The background of the cover is a photograph of a modern conference room. In the foreground, a black leather office chair with a silver frame is positioned next to a long wooden conference table. In the background, a large screen displays a presentation slide with the word 'VISION' in large, white, curved letters. Below it, there is a smaller orange box with white text that reads: 'To be a leading energy and company, sustainable'.

POWERING PROGRESS BY OPTIMISING ORGANISATIONAL STRENGTH THROUGH TALENT DEVELOPMENT

MARKET CHALLENGES

2022 GLOBAL MARKET LANDSCAPE¹

In 2022, the Ukraine-Russia geopolitical conflict sparked a global energy crisis. As one of the world’s largest exporter of fossil fuels, Russia’s curtailments of natural gas supply to Europe and European sanctions on imports of oil and coal from Russia disrupted the global energy trade.

In the third week of February 2022 Brent crude oil price topped USD100/bbl for the first time since 2014 after tensions heightened between Ukraine and Russia, and subsequently soared above USD130/bbl while natural gas and coal hit record levels, after the US and the UK announced the ban of Russian oil imports. The tight supply situation caused by the conflict was further compressed after the Organisation of the Petroleum Exporting Countries announced its decision to reduce production by 100,000 barrels per day (bpd), against its earlier pledge to raise it by 275,000 bpd. However, towards the end of the year, Brent crude prices softened to USD81/bbl as there was a contraction in demand for crude as governments of advanced economies rushed to try and secure alternative fuel supplies. Organisation of the Petroleum Exporting Countries and its allies (OPEC+) members had also agreed in November 2022 to cut their production target by two million barrels per day until end-2023.

As a whole, global oil demand was around 100 mb/d, or about 5.8% above 2021 levels, and Brent’s 2022 annual price averaged 40% YoY higher at USD100 per barrel in 2022 (2021: USD71/b).

THE YEAR’S CRUDE OIL PRICE PERFORMANCE

| Brent Crude - Historical Annual Data | | | | | |
|--------------------------------------|-----------------------|-----------|-----------|----------|------------|
| Year | Average Closing Price | Year Open | Year High | Year Low | Year Close |
| 2022 | \$100.93 | \$78.24 | \$133.18 | \$76.02 | \$82.82 |
| 2021 | \$70.86 | \$50.37 | \$85.76 | \$50.37 | \$77.24 |
| 2020 | \$41.96 | \$67.05 | \$70.25 | \$9.12 | \$51.22 |

BRENT CRUDE OIL HISTORICAL PRICES



Domestic Economy 2022

Rebounding from the pandemic-induced economic shock, the Malaysian economy gathered momentum² in 2022 as its growth rate and private consumption surpassed expectations quarter after quarter, leading to a higher than projected gross domestic product (GDP) of 8.7% in 2022 (3.1% in 2021). This marks the highest growth among the ASEAN countries. Aside from the low-base effect factor, this was deemed to be bolstered by the continued expansion in the domestic demand and a firmer recovery in the labour market.

The labour market also showed signs of improvement as the year progressed. Unemployment figures moderated over the course of the year. Global demand for Malaysia’s exports was also up. Exports grew as borders opened and global pent-up demand materialised. Malaysian exports increased almost 19% (YoY) in the third quarter of 2022.

Malaysia’s oil and gas sector enjoyed one of its best performances in the first half of 2022 as consumers scramble for alternatives to high priced gas. Based on data from Bursa Malaysia, the energy index traded at its highest in May at 864.15 points following higher crude prices. It dipped to its lowest level at 604.64 in mid-July as recession concerns heightened due to interest rate hikes imposed globally to curb inflation.

But while there were clear signs that the Malaysian economy had recovered from the debilitating effects of the pandemic, the Ukraine-Russia conflict puts a major obstacle in the way of further recovery. The conflict has led to higher commodity prices, which the United States’ central bank, the Federal Reserve, strove to keep US inflation below 2% through aggressive monetary tightening. In response, Malaysia’s central bank, Bank Negara Malaysia, applied a series of rate hikes to keep capital outflows under control.

¹ World Energy Outlook 2022 (WEO) and International Energy Agency

² Malaysian Institute of Economic Research

The nation is expected to face a challenging external economic environment going into 2023. Weak external demand means that domestic demand will likely drive Malaysia's growth in 2023. Thus, Bank Negara Malaysia has forecasted the economic outlook for 2023 to have a reduced growth rate of 4 to 5%.

Industry Challenges

Globally, we are navigating through an energy transitional period. There remain huge uncertainties over how this energy crisis will evolve and for how long fossil fuel prices will remain elevated, and the risks of further energy disruption and geopolitical fragmentation are high.

The certainty we have is a more intensified push for decarbonisation and other climate control efforts, whether by governments or activist and consumer groups. The speed and intensity of the transformation may be impacted by short-term supply and price issues and geopolitical events, but the future direction is clear - the oil and gas industry will need to change, and companies need to be taking steps now to prepare for a seamless transition.

In the short to mid-term the industry will need to address the following impacts:

Impact of rising tensions with Russia on Europe's gas supply and prices

The Ukraine-Russia conflict will disrupt much larger volumes of gas, keeping prices high and undermining EU economic growth this year. This crisis will have significant implications for the energy mix in Europe over the next 5-10 years.

Potential impact of global decarbonisation efforts³

While global energy transformation efforts to reduce emissions are being baked into policies around the world, response varies across nations and geopolitical tensions could accelerate or delay set goals.

Clean energy has become a huge opportunity for growth and jobs, and a major arena for international economic competition, as indicated by the following:

- ▶ Annual solar and wind capacity additions in the United States are projected to more than double current renewable levels, while electric car sales are seven times larger.
- ▶ The massive build-out of clean energy in China could see its coal and oil consumption peak before the end of this decade.
- ▶ Pushed by the additional urgency to find new sources of economic and industrial advantage beyond Russian gas, renewables and efficiency improvements in the European Union (EU) is forecasted to bring down EU natural gas and oil demand by 20% this decade, and coal demand by 50%.

- ▶ Japan's Green Transformation (GX) programme provides a major funding boost for technologies including nuclear, low-emissions hydrogen and ammonia, while Korea is also looking to increase the share of nuclear and renewables in its energy mix. India makes further progress towards its domestic renewable capacity target of 500 gigawatts (GW) in 2030, and renewables meet nearly two-thirds of the country's rapidly rising demand for electricity.

Impact of talent shortage

As the industry enters a more sustainable and digitally focused future there is an escalation of demand for talents with new skills. The current oil and gas talent pools need to attract people with new specialised skillsets or provide opportunities for current talents in the industry to upskill.

The shortage of talent has been ongoing for the past few years and is leading to an aging workforce, reliance on experienced crews who come back after retirement as contractors, and growing competition for talent with the technology industry. This difficulty in getting and retaining talent, will pose significant issues for the future of the industry.

New skills will also be required to reflect the growing shift to greener energy solutions that involve harnessing technology and innovative approaches to reduce carbon footprint. As more companies acknowledge the importance of Environment, Social and Governance (ESG) practices, skilled talents in resource management, investor engagement and new energy solutions will prove vital to develop technology and operationalise decarbonisation investments in the oil and gas industry.



³ World Energy Outlook 2022 – International Energy Agency

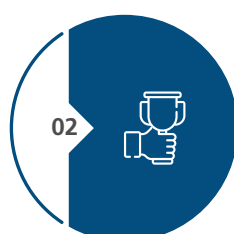
FY2022 STRATEGIC REVIEW

BUSINESS STRATEGY



People & Leadership

- Working with values
- Open and honest communication
- Employee engagement
- Retention
- Recognition
- Talent development
- Succession planning



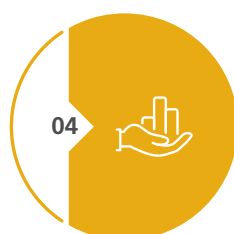
Operational Excellence

- Reliability
- Effective work processes
- Cost efficiency
- Refining margin
- Product quality



HSSE & Compliance

- Process safety
- People safety
- Security
- Environment
- Health
- Sustainability
- Compliance



Stakeholder Value

- Customers
- Shareholders
- Investors
- Authorities
- Government
- Lenders
- Suppliers
- Neighbours



Future Focus

- Continuous improvement
- Investment projects
- Growth ideas



People & Leadership

Within an increasingly competitive environment for skilled talent, sustaining our talent pool is crucial for the success of our business. Recruitment and career planning strategies were executed to retain the right talent for our business, and there was dedicated continuity in all our employee engagement programmes. However turnover rates rose to 15.90% or 52 employees in FY2022 from 11.80% (40 employees) in FY2021 due to burgeoning employment opportunities as the economy continued to rebound, as well as heightened demand for skilled workers within the oil and gas industry.

HRC's Human Resource Department had to work swiftly to fill critical positions with the right candidates through recruitment and continued succession planning. Identification of gaps were addressed through recruitment, training and capabilities development processes formed as core commitment in ensuring that the attrition rate is further reduced in 2023. We aspire to sustain resilient performance by ensuring the wellbeing of our people through open and honest communication, frequent engagement, recognition of contributions, talent development and inclusive succession planning.

STRATEGIC DIRECTION 1

Improving Succession Planning and Recruitment Processes

Heightened recruitment and career planning strategies were executed to identify the right talent for our business, as turnover rates rose by 4.10% during the year.

Through the previous year's implemented Leadership Development Programme, 20 HRC employees are in the process of being groomed for leadership transition. However, due to the earlier pandemic constraints that delayed the two-year training schedule, the career succession process is challenged by resources and lead time needed to fully develop these identified talents. To shorten the allowable lead time, we are exploring more robust and efficient training that leverages on inter-departmental efforts in grooming and developing high potential employees. We also remain committed to progressing most ongoing initiatives such as the Graduate programme, where a new intake targeted to be recruited in 2023.

As part of continuous improvement, recruitment processes are being realigned to fit current circumstances. The rehiring of ex-contract employees and creation of a candidate bank to recall previous applicants are agendas that are being looked at in building a bigger external talent pool to draw from. At the same time, we are enhancing certain legacy policies and salary structures to better meet the needs of the present operational environment.

STRATEGIC DIRECTION 2

Set Direction for Employee Value Proposition (EVP) and Enable Ability to Attract and Retain Staff

Understanding that exceptional business performance comes from the individual and collective performance of people, HRC actively ensures our Employee Value Proposition (EVP) remains attractive in terms of salary, benefits, career prospects and training. We annually benchmark our EVP against the Malaysian employment market and feedback from regular Employee Engagement Surveys to ensure it is attractive and competitive.

In light of increased turnover rates within the industry, HRC conducted exit interviews to better understand employee motivations in leaving their current positions. Findings for FY2022, showed that post-pandemic, an influx of opportunities in other industries were attracting some employees to explore new horizons in other industries. The recent boom in Malaysia's oil and gas activities have also opened up irresistible contract offers designed to attract experienced personnel. Due to HRC's reputed strong training and development culture, there have been concerted efforts by industry peers to target-hire our skilled certified workers.

By gathering more such evidence-based information and feedback from all these channels, we are developing a long-term action plan to offer better EVP for a more elevated employee experience, in alignment with HRC's corporate culture. Based on our review of industry offers, we will continue to leverage on the security of our permanent positions and substantive training and development to elevate the capabilities of every recruit.

Part of HRC's legacy and strength is an active workplace environment with frequent employee engagement activities. However, due to the pandemic in the previous years, these activities were held virtually whereby the spirit of shared camaraderie was reduced. Therefore, focus was thus directed on reviving employee morale, loyalty and team building events such as the Business Integrity Week and Away Day in 2022.

During the Away Day, inter-departmental bonding was nurtured through outdoor and indoor group activities. This strengthened teamwork, as per HRC's core value of 'Collaboration', and allowed for open communication and personal interactions. With the opportunity to organise more of such activities to inculcate employee loyalty and satisfaction, coupled with continuous enhancement of the EVP, we intend to grow as a workplace of choice.

STRATEGIC DIRECTION 3

Steadfast Focus in Training and Capability Development

We are unwavering in delivering on our reputation for solid training and development. An active schedule of technical and non-technical training and development sessions continued to be organised with an increased investment of nearly RM600,000 with 68.10% of training hours invested on technical and 31.92% on non-technical training. A total of 227 employees or 70% of the total workforce benefitted from training in FY2022, out of which 13.50% comprised certification programmes.

Minimally trained employees and employees who acknowledge skill discrepancies are always being identified to ensure adequate learning opportunities will be provided for them moving ahead. After receiving competency training, employees are encouraged to evaluate what they have learned and implement the newly acquired skills and knowledge.

As part of the Operational Excellence Framework, capability development under the Continuous Improvement (CI) Programme was the order of the day in FY2022 as HRC focuses on building and deploying future state capabilities. During this process, twelve employees from different departments were nominated to be groomed as Quality Champions (QCs) through upcoming training workshops and certification programmes in 2023. These 12 individuals will play a critical role in training their colleagues to find, implement and sustain continuous improvement initiatives using Lean Six Sigma methodology. QCs will lead and facilitate quality improvement initiatives and train other staff on the basics of Quality. From this pool of QCs, some will be selected to undergo further training from year two until year four. Based on their performance, QCs can further be upskilled to Green or Black Belt. Black Belts are full time quality improvement specialists, while the Green Belts are part time specialists.

2023 People & Leadership Priorities:

- Career Development & Staff Retention
- Continue with the implementation of Continuous Improvement Programme
- Enhance employees' learning and development
- Benchmark HR current practices to international level



For more details on our Human Resource initiatives, please refer to the section on Social Sustainability in our Sustainability Report 2022.

FY2022 Strategic Review



Operational Excellence

Within a refinery, operational excellence is driven by synergistic delivery of quality and reliability. HRC's goal is to improve all aspects under our control to optimise operational efficiency, while staying agile to respond to unforeseen and uncontrollable events that might impact our production.

Harnessing the results of continuous improvements on diverse fronts, HRC experienced high reliability performance for most of 2022, surpassing world class availability levels with plant availability of 93.74%. In July 2022, a national power failure resulted in an unexpected shutdown for several hours and caused several chokes in the refining process. This required the need for a maintenance shutdown later in the year to resolve the issues and prevent any further potential threats.

Much effort was put into mitigating the downtime by synchronising all processes and utilising Liquid Nitrogen assisted cooling (LNAC) Technology for the first time to save four days in the overall shutdown period. However, due to time needed for necessary repairs and the occurrence of one Tier-2 process safety fire events, by the end of the year, UPDT (unplanned downtime) MTD had elevated from 1.69% in October 2022 to 6.15% in December 2022.

The smooth delivery of the year's commissioned projects without any product quality or product incident issues were also testament to our efficient operations. Moving ahead on our continuous improvement journey, we look forward to an enhanced production performance.

STRATEGIC DIRECTION 1

Plan and Rollout HRC Operational Excellence Framework

HRC's Operational Excellence framework was developed in 2022 to strongly sponsor reliability improvement in all areas, from prowess in technical solution to timeliness in approval processes from business support groups such as Human Resource, Procurement and Finance. This is set to drive a culture of high performance and excellence.

Planning of the framework entailed identifying and analysing current gaps in business process, efficiency, effectiveness and in our people. Analysis has shed light on possible threats and weaknesses in the areas of process efficacy, team synergy and alignment against strategic corporate milestones.

These findings have made it possible to assess HRC's current Operational Excellence Maturity level and forms the basis by which we set short-term KPIs and goals. In FY2022 the key focus is to create a platform culture of continuous improvements, in addition to daily tasks, a more structured programme roadmap has been established and will be implemented in the next three years.



Details of the Operational Excellence Framework are explained on pages 25 to 27.

STRATEGIC DIRECTION 2

Champion Asset Reliability and Integrity Management

Adhering to formalised processes and responsibilities aligned within the Reliability Management Framework and site-wide Asset Masterplan, HRC surpassed reliability and production targets during the year. These were largely credited to the effectiveness of introduced reliability initiatives such as:

- ▶ Monthly meetings of the Reliability Steering Committee to review site reliability issues and identify new areas for continuous improvements.
- ▶ Biweekly discussions by the Area Reliability Team to ensure threats are tracked and mitigated by each involved discipline.
- ▶ Creating the Reliability Plan 2022 to address current critical issues, as part of the commitment to deliver specific annual plans for continuous reliability improvements.

As a result, total active threats reduced by 4.4% with seven threats successfully resolved during the year. In addition, there was minimal deterioration of assets or need for equipment rework even after close to five years since the last turnaround.

Pre-planning for the scheduled 2023 Turnaround has been ongoing since 2021 with an established turnaround (TA) team tasked to assess, manage and overcome end to end anticipated challenges for a successful TA. A total of 44 registered threats are expected to be mitigated by various planned repair and restoration activities during the TA and this should improve the refinery threat score by 28%.



For more details on our Reliability Management Framework and Reliability Plan initiatives, please refer to the section on Economic Sustainability in our Sustainability Report 2022.

STRATEGIC DIRECTION 3

Heighten Product Quality Assurance Towards Zero Product Quality Incident (PQI)

During the year, the highlight was the smooth and successful start-up of the HMU and Euro 4M units. We achieved all required tests related to these new projects going live with no major product quality (PQ) incidents. The Euro 5 Gasoil Phase-2's meeting of Density and Distillation limits was also completed successfully. All projects surpassed set targets which shows that the PQ health check structure framework that has been put in place works well to identify gaps and close them with timely corrective action.

Solid performance was maintained in reducing product quality giveaways (PQGA) whereby the quality of products sent to customer continued to exceed the specified requirements. Through effective testing, we managed to upgrade the kerosene (Jet components) via the hydro desulphuriser and maximise diesel production to meet market needs.

All product quality targets were met at HRC's laboratory too. The annual customer satisfaction survey scores showed continued high ratings for FY2022. An ISO17025 recertification audit was concluded in FY2022 with no findings raised. This participation in the assurance programme with good performance provides assurance to our customers on the accuracy of our testing.



For more details on our product quality, please refer to the section on Economic Sustainability in our Sustainability Report 2022.

STRATEGIC DIRECTION 4

Automating Work Processes to Increase Efficiency

In 2022, the migration of IT services and data into the cloud was completed during the year allowing all departments to access our IT infrastructure entirely remotely without the security risk, inconvenience, and cost of maintaining on-premise hardware. Department specific IT programmes are ongoing with several new process streams and automated data collection systems already creating greater efficiency for the Company. With regards to our HR Management System, we have also rolled out Rymnet's HRM Cloud, which is aimed to help us gain deeper visibility into our workforce by optimising HR processes.

2023 Priorities

- Inculcate an Operational Excellence culture
- Deliver an optimised and successful turnaround 2023
- Encourage pursuit of margin improvement tactics
- Continue with the implementation of Continuous Improvement Programme



HSSE & Compliance

HRC is committed to provide a secure and safe working environment for the well-being of our employees and business partners while respecting our neighbours and contributing to the community at large. We embrace Quality, Health, Safety, Security and Environment and Social Performance (QHSSE & SP) as a core commitment in all our business activities. We strive for personal safety, process safety, security, compliance as well as focus on protecting the environment, health of our stakeholders and business sustainability.

We take a stringent stance on safety. Out of a 329-strong workforce, 80 contract workers and multiple contractor companies that support our business, a total of 79 training sessions had been conducted, attended by 1,754 personnel who were trained on health and safety standards in 2022. In terms of safety performance, throughout the year, HRC achieved safe execution of major projects with zero major incidents at our Euro 4M and HMU (hydrogen manufacturing unit) project sites. Only one LTI was recorded. This incident has led to our LTI Free Manhours to reset from our previous record of more than seven million safe manhours since 2020. Immediate action was taken to prevent the occurrence of that incident (related to slip, trip and fall). We have also recorded three API Tier 2 Process Safety Events (PSE) during the year that occurred as a result of the sudden power outage from national grid: the second was due to a shutdown activity that resulted from incorrect instrument reading; and the third API Tier 2 PSE was related to small leaks from an overhead line.

FY2022 Strategic Review

HRC COMMITMENT STATEMENT

- Pursue the goal of no harm to people;
- Protect the environment;
- Use materials and energy efficiently to minimise the impact to the environment;
- Operates the refinery safely and assures its integrity;
- Respect our neighbours and contribute to the community at large;
- Advocate best practices in our industry and lead by example;
- Embrace HSSE & SP performance as a core value in all our business activities;
- Deliver our products and services in a responsible manner consistent with these aims;
- Report our HSSE & SP performance to our stakeholders;
- Promote a culture in which all HRC employees and business partners share these commitments; and
- Provide a secure and respectful working environment for the well-being of employees and business partners.



STRATEGIC DIRECTION 1

Embed a New Normal Culturisation Through COVID-19 Response & Assurance Towards Endemic Protocols

Proceeding into the endemic phase of operations, new normal culturisation protocols are still prioritised for smooth business continuity amidst possible risk of the emergence of virus variants. Many protocols introduced by the New Normal Committee in the previous year were maintained with several waived and new revisions to the quarantine period based on the latest guidelines. Protocols that remain are:

- ▶ Protocol for visitors to submit valid RTK screening results before entering HRC premises
- ▶ COVID-19 Reporting & Quarantine Order for Confirmed Case & Close Contacts
- ▶ Make or Break (MOB) Protocol which are strict protocols for contracted specialists recruited for repair of critical equipment. These protocols ensure that these critical personnel are kept safe and protected to the best of our ability as any delay to repairs will result in plant disruptions.

STRATEGIC DIRECTION 2

Sustain a Safety Culture Through Increased HSSE Events, Trainings and Drills

The year ushered in a resumption of many physical activities including physical training and on-site events. There was an upsurge of activities and events towards building a safety culture. Some of the key initiatives conducted to help create constant awareness of safety goals were as follows:

ICARE4Safety: The year's safety event began with the annual safety day on 19 January, themed "Marching Forward". This comprised physically held pre-event activities of e-sports, games and a TikTok video competition, followed by a half-day virtual event with presentation of awards and prizes for the pre-event activities. The top three safety videos and a safety forum entitled "Living in the New Era" were held during the virtual event.

Intervention: Entering its third year, the monthly CEO HSSE Award continued to encourage on-site intervention through Near Miss Potential Incidents (NMPI) reporting. A total of 2,883 reports were received for the year, and a high 96.50% closure rate was achieved.

Communication: The in-house QHSSE e-newsletter "UNZIPPED" was published three times in 2022 to share information pertaining to leadership safety messaging, HSSE updates on upcoming initiatives, short surveys, tips, and safety reminders.

Training Programmes: About 79 training sessions covering Emergency Response drills and HSSE training were conducted during the year for 1,754 participants. These included mandatory HSSE Training, online refresher and awareness sessions, Operational Safety competency training, Emergency Response awareness and training and Defensive Driving Training.

Fire Drills: Fire is a key hazard in any refinery given the combustible nature of materials involved. Fire drills are crucial to help identify weaknesses in emergency response plans and provide an opportunity to improve them before an actual emergency occurs. After the postponement of several drills due to the pandemic, a concerted effort to refresh firefighting skills led to the organisation of 20 Tier 1 fire drills and four Tier 2 drills. The major drills with the BOMBA team were done with the purpose of utilising all major equipment to test out our teams' capability to fight a tank fire scenario, major gas leaks, Heat Exchanger fire and multiple pumps fire as part of the preparedness in 2022.

STRATEGIC DIRECTION 3

Heighten the Company's Maturity in Process Safety Excellence

In FY2022 improvement initiatives were focused on gap closure activities to the Process Safety Management (PSM) framework, which was operationalised in April 2021. Two major improvements were implemented as part of the PSM journey in 2022.

Under the "Understand Hazards & Risks" pillar for element of Process Knowledge Management, continued improvement efforts were extended from Document Matrix to put in place a process to operationalise the review and approval process by a competent reviewer and identified document owner. This ensures documents are updated with accurate, complete and understandable information. Under the "Commit to Process Safety" pillar, improvements were made by developing a process safety specific learning plan and training modules for frontliners. The plans were then rolled out to new frontline joiners to equip them with the right knowledge and safety-first mindset.

There were two Process Safety fire events during the year that exceeded the API Tier 2 threshold. Both occurred after shutdown of the LRCCU - the first time because of the site-wide power failure, and the second during the planned shutdown - but had different root causes. Recommendations from the learning outcomes were captured, shared site-wide and centrally tracked within the iMax incident management and reporting platform.



For more details on our new PSM framework and API measures for the year, please refer to the section on Economic Sustainability in our Sustainability Report 2022.

2023 Priorities

- Compliance to a new way of developing PIP/conducting drills/Fire Fighting Equipment Maintenance Procedures.
- Training & increase competency based on Training Needs Analysis, including Contractor Supervisor.
- Tier 2 & 3 drills with BOMBA, utilising all major equipment and test out the capability to fight all probable fire scenario and emergencies as per PIP developed.

FY2022 Strategic Review



Stakeholder Value

Delivering sustainable stakeholder value to our shareholders, investors and community is the ultimate goal of HRC. From the start to end of our business value chain, our teams are guided towards having a cost-conscious mindset and prudent decision making that considers the impact that we have on diverse stakeholders.

Mindful of oil price volatility, geopolitical tensions, and to ensure the requirement for TA2023 purchases are met, we worked to optimise Company supply chain activities and making efforts in carrying out more cost saving as well as cost optimisation strategic initiatives while ensuring full compliance with Company governing procedures.

Initiatives intended to deliver sustainable value included engaging a wider selection of vendors, implementing proper cost controls, improving negotiations and staying agile and responsive in protecting our margins. Outside of operations, we remained committed to be socially responsible in our business affairs and make a positive contribution to our local community through social investment.

STRATEGIC DIRECTION 1

Drive Cost Saving Initiatives to Increase Margins and Overall Product Value

Throughout the year HRC's commercial team worked hard to mitigate costs and capture windows of opportunity to grow margins.

On the procurement front, hedging tools and strategies continued to be utilised to protect refining margins and inventory value. On the production front, we maximised commercial value through product cracks. Greater agility in production planning was also executed to maximise diesel (gasoil) production as it commanded the highest cracks margin during the year. Towards this end, the processing capacity of hydro processing unit (HDS-2) was increased by 10% from 6,300 to 6,900 TPD; jet components were upgraded via the hydro desulphuriser; and all other available options on site were also saturated and utilised towards diesel maximisation.

Under HRC's Business Improvement Plan (BIP) strategies, 12 tactics were implemented that resulted in about USD19 million savings in FY2022. The tactics ranged from uplifting our capabilities in term of feed intake processing, blending capacities in individual units and oil movement area, and chemical and fuel savings.

These were implemented with limited capital expenditure. The additional margin gains were primarily derived by increasing our processing capability of crude to upgrade low value products into high value product, as well as from fuel and utilities savings as a result of increased processing efficiencies.

STRATEGIC DIRECTION 2

Enhance Supply Chain Quality, Reliability and Efficiency

In FY2022, HRC made headway in attracting more international contracts as the world transitioned into the endemic phase after April 2022. Within the procurement scope, the focus was to seek out competitive bids for commodities, materials and services sourcing, by widening our selection of vendors. There was an increase in single source contracts as the benefits of good quality reliable services and long-term business partnership were regarded as critical, nevertheless these were awarded to the most competitive market offer, after due diligence checks were completed.

Though we benefitted from longstanding contracts to ensure stable supply of quality products within a volatile year, going forward, efforts are being made to explore diversification of our supply network, to continue benefitting from competitive pricing and to mitigate risk of being overdependent on one supplier. There were two instances during the year when HRC's practice of having alternative vendor choice in place prevented potential reliability issues. The first instance involved a vendor that failed to supply a raw chemical additive due to regional climate issues, and the next event was experienced when a contracted repair workshop was inundated by floodwater.

Looking forward to 2023, HRC will continue to engage with more international vendors of good quality and high reputation yet offering competitive pricing. We will also try to enjoy the benefits which may be obtained through our major Shareholder Company, for instance, to have a joint blanket contract with suppliers. Other initiatives to enhance the supply chain operations are to closely monitor contract status by initiating inter-department collaboration; negotiate with current contractors for cost savings; source substitutes of equal effectiveness but lower price; improve warehousing stock accuracy to 98% through the cyclic counting method of checks and balances; and target 85% on time delivery by working closely with end-users.



For more details on our Supply Chain Management, please refer to the section on Economic Sustainability in our Sustainability Report 2022.

STRATEGIC DIRECTION 3

Continuous Engagement with External Stakeholders and Through Corporate Social Responsibility (CSR)

As a long-standing and valued part of Port Dickson's social and community fabric, we power connections by giving back to the community where we can. We work very hard on being a responsible corporate citizen, staying mindful of maintaining a minimal environmental footprint while making a positive contribution to the local community, state and national economy through employment, taxes and as enablers to other industries. We employ local employees and vendors wherever possible and nurture a conducive workplace. We maintain high ethical and governance standards to build relationships of trust with our stakeholders, and our Corporate Social Responsibility programmes direct social investments to help the Port Dickson community.

Through our well publicised community feedback mechanism and updated Public Complaints Form, members of the public could safely and easily get in touch with us. There were three public complaints received last year pertaining to the occurrence of black smoke, smell due to effluent water leak and noise impacted from the LRCC's maintenance activities such as during shutdown and start-up. The complaints were quickly addressed and resolved.

Beyond this, we continued to engage face to face with key focal contacts from the local authorities to provide necessary business updates and hand out festive contributions to families in need. In addition to that, many more community events were held during the year as we focused on supporting environmental initiatives together with respective stakeholders who are elevating Port Dickson as a more environmental-conscious city. Initiatives included:

- ▶ A collaboration with Malaysia Nature Society in organising a beach cleaning activity at Pantai Chermin, Port Dickson. This programme specifically focused on the mangrove area surrounding the Port Dickson tourism landmark, Bukit Batu Putih. Over 20 volunteers joined in this effort and all wastes were transferred to the Recycling Centre.
- ▶ Working with the local community council, Majlis Perbandaran Port Dickson (MPPD), to enhance the public landscape surrounding the refinery.
- ▶ Collaborating with the Department of Environment, to organise another beach cleaning event at Pantai Cahaya Negeri in conjunction with Hari Alam Sekitar Negara. This event saw 10 HRC employees working hand-in-hand with more than 100 participants.

2023 Priorities

- Prioritise good value Malaysian crude oil procurement
- Diversify our pool of vendors
- Continue to engage external stakeholders
- Continue to protect refinery margins
- Collaborate with the local council towards making a greener Port Dickson particularly at public places near the refinery



Future Focus

Since the last turnaround (TA) the refinery has enjoyed efficient operations. Ensuring our refinery is running efficiently over the next five years is our goal under our Future Focus strategy. We intend to deliver on-spec fuel with reliability, quality and minimal downtime through upgraded capabilities and well maintained assets. At the same time, we are committed to staying on track of our future-focused projects to ensure HRC remains competitive and continues to advance towards long-term sustainable commitments on climate change. With current key investment projects fully commissioned, HRC is focused on preparations for a major turnaround in the second half of 2023. Proper planning is crucial to ensure maximum repairs and upgrades can be done within the shortest time possible and that no further turnaround will be required for at least another five years. Besides, the Company is looking ahead to laying the groundwork for Euro 5M and Flare Recovery Unit during the upcoming TA.

Going forward, the Continuous Improvement programme, anchored on the Operational Excellence framework, introduced in FY2022, is planned to accelerate capabilities, efficiency and high-performance delivery in the near future.

STRATEGIC DIRECTION 1

Drive for the Best Scoping of Turnaround (TA) 2023

A successful turnaround entails completing all required works in a safe and efficient way in the least amount of time possible. This requires good planning and identification of all threats to our equipment and assets HRC has been able to increase our productivity and competitiveness.

HRC's major turnaround is planned for second half of 2023, after a gap of five years. The five-year gap from the last turnaround is a celebrated achievement as most turnarounds for a refinery of our size is mandated every three to four years. It was granted by the authorities (DOSH from Federal and State levels) as HRC engaged closely with them to ensure all requirements for the turnaround extension were met.



For more details on our Community Engagement initiatives, please refer to the section on Social Sustainability in our Sustainability Report 2022.

FY2022 Strategic Review

In addition to maintaining good performance in driving the goals of the Reliability Management Framework and Asset Master Plan to ensure that threats to our equipment and assets are proactively being identified and reported for better TA2023 scope planning, in FY2022 refinery training hours rose by 11.70% towards ensuring site-wide readiness.

STRATEGIC DIRECTION 2

Optimise Refinery Capabilities with Seamless Production and Supply

All targeted projects reported successful completion, on time and meeting all compliance requirements. By ensuring that product specs can be met on time, the implementation of Phase 2 specification of Euro 5G's start up in early 2022, without any product quality incident, helped HRC to increase margin. Extensive optimisation was done to minimise the product quality give away on density.

With the completion and commissioning of the Hydrogen Manufacturing Unit later in the year, we benefited from the much-needed additional supply of hydrogen to optimise production of Euro 5G specification and maximising the upgradation of low value cracked cycle oil into high value diesel.

The year ended with the successful completion of the Euro 4M unit. The unit, currently awaiting the issuance of the Certificate of Completion and Compliance to HRC, provides technology that will aid in upgrading cracked gasoline into Mogas. This ensures that HRC will benefit from more sustainable margins in the near future.

STRATEGIC DIRECTION 3

Establishment of ESG Roadmap & Framework

ESG (Environmental, Social, and Governance) considerations are becoming increasingly important for companies operating in the oil and gas industry to manage risks, ensure sustainable operations, and meet the expectations of stakeholders, including investors, customers, and communities.

Even as HRC continued to meet all industry standards and there were no reported incidents of non-compliance in FY2022, plans are afoot to deepen our contribution to sustainable value beyond compliance. As our nature of business has a significant impact on the environment, good management of our utilities paves the way forward towards a sustainable future.

To this end, HRC's long-term energy masterplan, which was first developed in 2020, was further scrutinised and revalidated in 2022 to drive the refinery towards achieving breakthrough in energy performance. This new energy masterplan has now become part of HRC Sustainability Pathway to support HRC's commitment to reduce carbon footprint. A number of tactics were identified in the energy masterplan that aims to achieve 7% energy efficiency improvement by 2029.

As a result of our focus on better management, the following achievements were noted during the year:

- ▶ Achievement of better energy performance than target in 2022, actual EII 113.8 versus target 114.2
- ▶ Implementation of fuel gas integration control to optimise the use of site-wide refinery fuel gas and to minimise flaring

On the corporate end of business, green and net zero procurement is becoming increasingly important. An important commitment was made in FY2022 with the aspiration of HRC's goal to achieve net zero carbon emission by year 2050, which was approved by the BOD in May 2022.

Henceforth, tendering evaluation involved with HSSE banding are being carried out strictly while the evaluation criteria are now related to elements such as compliance with ISO9001-14001; the assurance of an environment management system in place; and chemical substance management. All these activities are believed to play its role in a greener society and lead to improved ESG indicators.

We aim to also promote proactiveness when it comes to environment-related intervention at site. Each year, the HRC Environment team creates a campaign to create awareness of relevant changes in regulations or guidelines. In FY2022, a "Back-to-Basic" campaign approach was chosen to bring an influx of new employees up to date on HRC's Environment Key Receptors and instil environmentally-conscious behaviour.

2023 Priorities

- Drive for the best scoping for the turnaround exercise in 2023 to ensure a successful implementation
- To establish the ESG roadmap and framework

FINANCIAL REVIEW

MARGIN AND FINANCIAL PERFORMANCE

In the year under review, the Company reported a loss after tax of RM157.6 million compared to previous financial year which recorded a profit after tax of RM82.7 million. Refining margins and crude prices continued to remain volatile during the year resulting in a full year average Current Cost of Stock margin (CCS) of USD0.47/bbl (FY2021: USD3.44/bbl) and gross profit margin of USD2.47/bbl (FY2021: USD 7.23/bbl) including the effects of crack swaps. Further analysis of the financial performance is as follows:



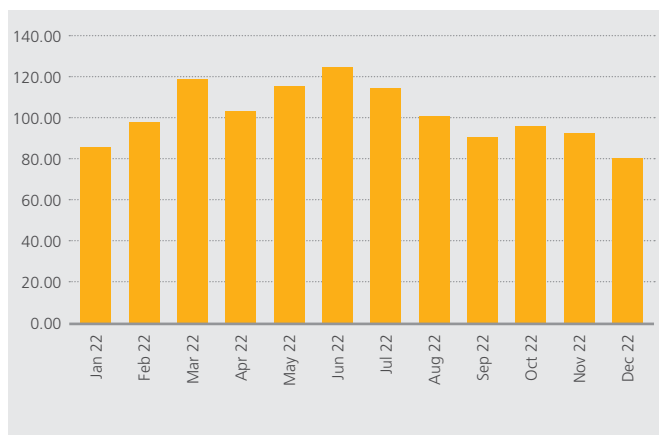
Revenue and Gross Margin

The Company recorded a total revenue of RM21.1 billion in FY2022 compared to RM12.0 billion in FY2021. The increase in revenue of RM9.1 billion or 75.8% were attributed to a 58.9% increase in product prices that averaged at USD125/bbl, coupled with 9.4% increase in sales volume supported by better market demand.

Notwithstanding the higher revenue reported, gross profit fell to RM0.3 million (FY2021: RM1,044.7 million) affected by the higher plant production downtime, increased crude premium, and softening of Mogas cracks mainly in the second half of the year.

BRENT OIL PRICE

Price in US dollars per barrel



In FY2022, the price of Brent crude oil averaged at USD101/bbl, which was USD30/bbl higher than its corresponding FY2021 average. The Ukraine-Russia conflict and economic sanctions on Russia drove up the crude oil prices during the first quarter of 2022. Crude oil prices in April 2022 experienced some pressure amid concerns over demand from China as China imposed massive lockdowns on its major cities to battle against the new waves of COVID-19 infections. Nevertheless, tightening of global oil supply continued to uplift the crude oil prices, hitting an all year high in June 2022. However, a looming fear of global recession affected the market sentiment in the second half of 2022, causing the crude oil prices to drop to pre-war level towards the end of the year.

Stockholding gains for FY2022 (including the effects of commodity swaps) were USD0.58/bbl (2021: USD0.39/bbl).



Operating Income and Expenses

A 16.4% increase in other income was contributed by higher interest income earned on deposits placed. Lower manufacturing expenses during the year was contributed by company-wide cost optimisation initiatives. Meanwhile, the increase in administrative expenses was due to a non-recurring impairment made of RM12.1 million on the Company's plant equipment and parts refurbishment. The Company also posted a net foreign exchange loss arising from strengthening of US Dollar against Ringgit Malaysia during the year. Similarly, the higher finance cost was affected by the interest rate hike world-wide.

The recognition of deferred tax assets on unused tax losses, unused reinvestment allowances and unabsorbed capital allowances resulted in tax credits for FY2022.

The overall impact resulted in loss after tax of RM157.6 million in FY2022 as compared to profit after tax of RM82.7 million in FY2021.

Financial Review

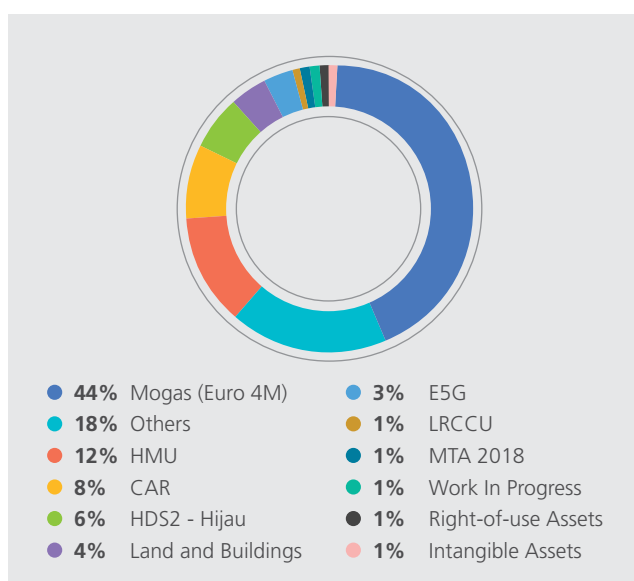


Total Assets and Liabilities

Total assets increased by RM1.1 billion or 20.8% from the previous financial year. Details of total assets of RM6.6 billion in FY2022 are set out below:

- ▶ Carrying amount of fixed assets i.e. property, plant and equipment, intangible assets and right-of-use assets of RM2.1 billion comprises:

CARRYING AMOUNT OF FIXED ASSETS



- ▶ The valuation basis of these assets is as stated in our accounting policies.
- ▶ The Company's current assets mainly comprise of inventories, receivables, bank balances and derivatives with maturity of less than 12 months. Current assets increased from RM3.4 billion to RM4.3 billion, an increase of 23.5% as compared to FY2021. The increase is attributable to higher bank balances and receivables as at year end.

Total liabilities increased by 52.9% or RM1.8 billion from RM3.4 billion to RM5.2 billion in FY2022. Further details are set out below:

- ▶ Current liabilities mainly comprise of payables, borrowings and derivatives with maturity of less than 12 months. Trade payables mainly relates to payables for crude purchases and payables for capital expenditure. Higher trade payables in FY2022 arose from the timing of crude payments, which are due after the year end.
- ▶ Non-current liabilities mainly comprise of medium term notes and derivatives with maturity of more than 12 months. Medium term notes are repayable over a five (5)-year period, denominated in RM and are secured by way of charges on the Company's assets.



Cashflow

Cash generated from operating activities was mainly utilised for working capital requirement and capital investment on projects including Euro 4M and Hydrogen Manufacturing Unit (H2GEN). Higher cash balance was held as at year end for repayment of crude purchases and provisions for MTA exercise (scheduled in FY2023), which requires procurement in advance for certain materials and parts.








Dividends

The Board of Directors assessed the cash flows prior to declaration of dividend in compliance with the Companies Act 2016. On 30 August 2022, the Directors declared a single-tier interim dividend of RM0.10 per share, amounting to RM30.0 million in respect of the financial year ending 31 December 2022. The dividend was paid on 25 October 2022 to shareholders registered on the Record of Depositors at the close of business on 3 October 2022.

The Board has formed the view that it would not be prudent for the Company to further declare any dividends at this juncture, given the financial performance and volatility of the market. Hence no final dividends have been declared for the financial year ended 31 December 2022. The Board will continue to review the dividend prospects, while considering the long-term value creation for its shareholders.

FY2022 KEY PERFORMANCE INDICATORS (KPIs)

Our KPIs assess the performance of the Company across all aspects of operations in a balanced Business Performance Scorecard. Non-financial indicators include measures of production and reliability, safety, commercial relevance, sustainability and governance. Financial indicators cover margin, financial performance and return on investment. Additional KPIs tied to sustainability are elaborated in our Sustainability Report 2022 which is available on our website at <http://hrc.com.my/sustainability-report.html>.

| KPI SCORECARD | | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|---|--------|--------|-------|--------|--------|
|  SAFETY | Lost Time Injuries (LTI) | 0.3 | 0 | 1 | 0 | 0 |
| | LTI Free Manhours Worked | 2.5 | 6.9 | 3.0 | 10.1 | 5.6 |
| | Process Safety Events (API Tier 1) | 0 | 0 | 1 | 0 | 1 |
| | Process Safety Events (API Tier 2) | 3 | 1 | 2 | 2 | 0 |
| | First Aid Cases (FAC) | 3 | 2 | 6 | 6 | 11 |
|  PRODUCTION & RELIABILITY | Operational Availability % | 93.7 | 96.9 | 95.4 | 96.3 | 79.4 |
| | Unplanned Downtime (UPDT) % | 6.2 | 2.5 | 4.6 | 3.7 | 3.1 |
| | Production Volume (million bbl) | 37.8 | 35.0 | 34.2 | 38.8 | 32.5 |
|  MARGIN & FINANCIAL PERFORMANCE | Refining Margin (FIFO) (USD/bbl) | 2.5 | 7.2 | 2.7 | 3.3 | 3.0 |
| | Sales Volume ('000 bbl) | 39.7 | 36.3 | 35.1 | 41.9 | 35.2 |
| | Revenue (RM billion) | 21,142 | 12,006 | 7,176 | 12,637 | 11,241 |
| | Profit After Tax (RM million) | (158) | 83 | 251 | 35 | 31 |
| | Cash Generated From Operations (RM million) | 17 | 224 | 435 | 1,259 | 380 |
| | Quick Ratio | 0.6 | 0.6 | 0.9 | 0.8 | 1.0 |
|  RETURN ON INVESTMENT | Shareholders' Funds (RM million) | 1,374 | 2,052 | 2,168 | 2,011 | 2,022 |
| | Earnings Per Share (sen) | (53) | 28 | 84 | 12 | 10 |
| | Return on Average Capital Employed (times) (EBIT/(Average total assets-average current liability)) | (0.1) | 0.1 | 0.1 | - | - |
|  SUSTAINABLE DEVELOPMENT | Natural Resources | | | | | |
| | Energy Intensity Index (EII) | 113.8 | 113.1 | 116.9 | 110.9 | 111.7 |
| | Effluents - Average Oil in Water Concentration (avg mg/l) | 1.0 | 0.6 | 1.7 | 1.0 | 1.0 |
| | Waste Management | | | | | |
| | • Effluent Water Discharge (Million m3) | 2.5 | 2.0 | 1.9 | 1.4 | 1.4 |
| | • Effluent Treatment Plant (ETP) Sludge (MT) | 509 | 196 | 328 | 305 | 184 |
| | • Spent Oil Water Emulsion (MT) | 342 | 774 | 1,102 | 1,374 | 2,175 |
| Public Complaints | 3 | 1 | 10 | 5 | 3 | |
| Social/Community Project Investment (RM'000) | 32.0 | 26.2 | 19.6 | 66.2 | 68.8 | |

RISKS & OPPORTUNITIES

COMPANY-RELATED RISKS AND OPPORTUNITIES

The Leadership Team and the Board of Directors analyse HRC's comprehensive risk assessment matrix, which includes all significant risks and opportunities, on a quarterly basis through the Board Risk Management Committee. This matrix enables HRC to identify and assess the Company's risks and create mitigation measures in advance. This ensures our ability to handle any risk that may develop.

Asset integrity – The oil refining industry carries a number of intrinsic risks related to, among other things, asset integrity, process safety, and personnel safety. To mitigate all of these risks, HRC implements best practises and keeps improving them.

Project risks – Every HRC project is planned with technical and construction risk reduction strategies as well as operational interruption risk assessments. In FY2022, significant projects such as the HMU and Euro 4M were completed as scheduled and underwent successful performance guarantee test runs (PGTR). The HMU has been fully commissioned whilst the Euro 4M is awaiting the Certificate of Completion and Compliance.

Margin and Commercial Risks – Being an independent refinery, HRC is subject to unpredictable changes in the oil refining margin and oil price. In order to reduce these risks, HRC has taken steps to control our exposure to unexpected changes in oil prices by selectively hedging against fluctuations in crude price and refining margins as well as inventory hedging. HRC is aware of the importance of continuing to do business and reducing dependency on a single client for the refinery's sustainability. As a result, HRC has actively developed sales to various oil and gas firms in the market over the past few years on both a domestic and worldwide level.



Climate Change & Other Environmental Risk –

ESG considerations are important for managing risks in the oil and gas industry. Investors are increasingly looking for companies that demonstrate good ESG performance. This is because companies that prioritise ESG considerations are seen as more likely to deliver sustainable long-term returns, while companies that fail to address environmental risks may face legal and financial liabilities, and those that neglect social considerations may face reputational risks.

We are conscious and mindful of the need to utilise resources and energy more efficiently to minimise environmental impacts throughout our operations. We have internal policies in place that enables us to actively manage our environmental footprint. In addition, HRC also recognises and acknowledges Climate Change as a relevant long-term risk that could potentially impact the business. Our identification and assessment of the associated risks and opportunities will ensure long-term sustainability. Hence, "Climate Change from HRC businesses" has been added into our company-wide Risk and Opportunity Register so that we can track and take action to minimise risks. The Risk and Opportunity Register is reviewed quarterly by the Management and sighted by the Board Risk Management Committee and Board of Directors. Meanwhile, climate-action related projects are reviewed by the Board Projects Review Committee.

To address the climate change action matters, the Management formed a task-force represented by employees from various departments. The task-force provides strategic counsel to the Management in developing strategies that are in line with the Company's goal of achieving net zero carbon emission by year 2050 where it broadly includes plans for reducing the HRC's greenhouse gas emissions and incorporating sustainable practices into the Company's operations. The execution of the subsequent phases of the Energy Master Plan and further planning for carbon footprint reduction will be a key strategic focus for FY2023.

Cleaner Energy (opportunity) – HRC noted the general trends to higher demand for cleaner energy and potential slowing demand for hydrocarbon transport fuels. Strategic planning was formulated by looking into options for future investment into petrochemicals and renewable energy/alternative energy to add on to our strong presence in hydrocarbon products.

MOVING FORWARD INTO 2023

The oil and gas market is expected to continue to face several challenges, including volatility in oil prices, increasing competition from renewable energy sources, and stricter regulations on emissions. These factors are likely to have a significant impact on the industry's growth and profitability in the coming years.

Despite the challenges, the demand for oil and gas is expected to remain high in the short to medium term, particularly in developing countries with growing populations and economies. However, the long-term outlook for the industry is uncertain, as the shift towards renewable energy and the increasing focus on reducing carbon emissions could lead to a decline in demand for fossil fuels.

Venturing forth, HRC remains committed to deliver continuous value to its shareholders and stakeholders by focusing on these initiatives below:

Strengthen a continuous improvement mindset – Following the launch of the corporate vision, mission and core values, and the introduction of the strategic framework, the next step is to amalgamate these key initiatives by instilling a continuous improvement mindset. Continuous improvement is part of the characteristics that drive the 'Future Focus' element of our strategic framework and also drive the newly introduced Operational excellence Framework. The training of Lean Sigma 6.

Optimise organisational strength through talent development – Training and development for HRC's Leadership Development Programme (LDP) was initiated in 2022. To outline a clearer and a more structured career progression plan for our employees, an enhanced Succession Planning Programme will replace the LDP in 2023, where the subsequent round of talent identification will follow through. We will be focusing on closely matching training programmes that are relevant to the employees' job scope. In tandem, we have the Quality Champions from the Continuous Improvement Programme who are also being groomed through upcoming training workshops and certification programmes in 2023. Once trained, these 12 individuals will play a critical role in training their colleagues to find, implement and sustain continuous improvement initiatives using the Lean Six Sigma methodology.

Enhance cost efficiency and work processes – With all key projects commissioned and onstream, HRC will be in good position to generate more revenue and convert low priced residue products into valuable lighter fuel. In addition, as part of the operational excellence framework, people capabilities are targeted to escalate with these new asset capabilities towards a business transformation aspiration to become a high performing organisation. In the near term, we commit to execute targeted Business Improvement Plans for margin upliftment in 2023, involving tactics such as diversifying the crude variety, site capacity increase, further de-constraining gas oil production, and fuel savings.

Successful execution of turnaround (TA) 2023 – Delivering a safe and successful TA2023 will enable the plant to run reliably until the next turnaround cycle in four to five years. Driven by legislative requirements as part of the cyclical inspection programme and license renewal stipulated by the Department

of Occupational Safety & Health (DOSH), the preparation and planning for this turnaround event was a major focus area to the Company in year 2022. Thorough analysis of end-to-end challenges have built a detailed work scope with strategic implementation of necessary tie-ins also included. Through critical review anchored on the Asset Masterplan, focus will be on catalyst change out, critical projects, implementation of margin and reliability improvement schemes as well as on laying the groundwork for upcoming Euro 5 Mogas requirements. We target to initiate the TA within second half of 2023.

Euro 4M start-up and planning for Euro 5M product specifications – HRC's newly constructed Euro 4M* unit ensures that all mogas components are blendable to meet Euro 4M specification without any access of high sulphur mogas components from site. We have successfully completed all outstanding tests and checks and achieved a successful performance guarantee test run (PGTR) for the newly installed unit. The project will allow the refinery to continue optimising its crude slate to be commercially competitive going forward.

The next phase for sustainable growth would be preparation and planning for Euro 5M product specifications which is scheduled for compliance by 2025 to 2027. The groundwork planning involves technology evaluation and selection of front-end engineering design (FEED). Focus and emphasis will also be directed towards delivering critical projects such as further enhancing marine operations by modifying the Single Buoy Mooring (SBM) and anchor chain replacement. In addition, we have also further identified vacuum gasoil (VGO) as a potential margin contributor to HRC.

Establish and Implement the ESG Framework – Our Company has a crucial position to play in the global effort to take on decarbonisation initiatives and address climate issues. The Board has approved HRC's aspiration to achieve net zero carbon emission by year 2050 and the Company's establishment of the ESG framework is a crucial step forward. To align with regulatory requirements, we are also committed to provide climate change-related disclosures that are in sync with TCFD recommendations.

One of the mitigation measures that we started out with and continue to undertake is to conduct quarterly GHG emissions accounting with the aim to analysing the trend, and as much as practical, minimising them. As a responsible company, HRC is proactive in optimising waste handling to ensure waste reduction and that is done through various channels and collaborations with multiple parties.

Subsequently since 2020, we have developed and launched the Energy Masterplan that comprehensively supports HRC's commitment to reduce its carbon footprint. Supplementing the phase 1 implementation of the Energy Master Plan, in line with company and countrywide initiatives and compliance, HRC is actively exploring new and matured technology to further optimise and reduce the energy consumption of the infrastructure and facilities at our non-processing areas.

* awaiting the Certificate of Completion and Compliance.





POWERING PROGRESS

BY ENHANCING COST EFFICIENCY AND WORK PROCESSES



BOARD OF DIRECTORS' PROFILE

BOARD DIVERSITY

Gender



4 male directors
66.67%



2 female directors
33.33%

Nationality

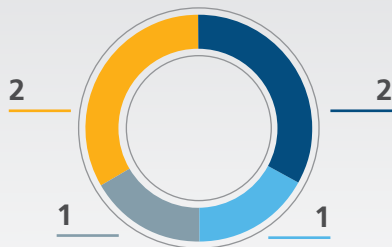


Malaysian
66.67%



Non-Malaysian
33.33%

Ethnicity



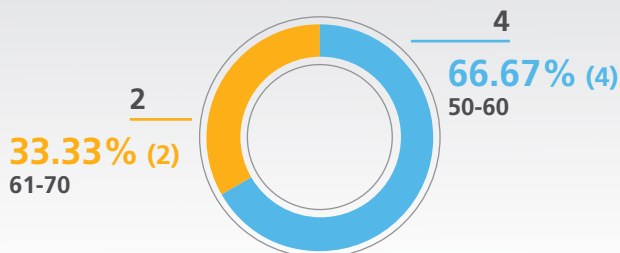
33.33% (2)
Malay (Malaysian)

16.67% (1)
Chinese (Malaysian)

16.67% (1)
Indian (Malaysian)

33.33% (2)
Chinese (Foreign)

AGE GROUP



Chinese

Age 60

Male

WANG, YOUDE

Chairman
Non-Independent Non-Executive Director

Date of Appointment

22 December 2016

Academic Qualification

Master's Degree in Business Management from Nankai University, Tianjin, China

Experience

- Chairman of the Board and General Manager, Shandong Hengyuan Petrochemical Company Limited (2001-present)
- Executive President of the China Chamber of Commerce for the Petroleum Industry (2017-2019)
- Vice President in the China Chamber of Commerce for the Petroleum Industry (2007-2017)
- Deputy Mayor, Linyi County (2001-2013)
- Representative of the 12th National People's Congress of the People's Republic of China (2013-2018)

Directorship of Other Listed Issuers/Public Companies

None

Membership of Board Committees in HRC

- Chair of Board Tender Committee
- Member of Board Nominating and Remuneration Committee
- Member of Board Projects Review Committee
- Member of Board Whistleblowing Committee



Chinese

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Age 60

•
Male

WANG, ZONGQUAN

Deputy Chairman
Non-Independent Non-Executive Director

Date of Appointment

22 December 2016

Academic Qualification/Professional Membership

Degree in Chemical Machinery, Chengdu Institute of Water Conservancy and Hydropower Survey and Design

Experience

- Over 30 years of experience in production management, units installation, projects construction and enterprise management of the petrochemical business including as:
 - Deputy General Manager, Shandong Hengyuan Petrochemical Company Limited (2002-present)
 - Various leadership positions in refining, units installation and management departments of the petrochemical business in Shandong Hengyuan Petrochemical Company Limited including as Head of the Equipment Control department of an installation engineering company within the Group (1988-2002)

Directorship of Other Listed Issuers/Public Companies

None

Membership of Board Committees in HRC

- Chair of Board Risk Management Committee
- Chair of Board Projects Review Committee
- Member of Board Tender Committee



Malaysian

•
Age 63

•
Male

ALAN HAMZAH SENDUT

Independent Non-Executive Director

Date of Appointment

25 May 2017

Academic Qualification

- Bachelor of Science Hons (Accountancy and Computer Science), University Of Wales, Aberystwyth, United Kingdom
- Chartered Accountant, Institute of Chartered Accountants England and Wales (ICAEW)

Professional Memberships

- Chartered Audit Committee Director, Institute of Internal Auditors Malaysia
- Member of the Malaysian Institute of Accountants
- Fellow of the Institute of Corporate Directors Malaysia
- Qualified Risk Director, Institute of Enterprise Risk Practitioners

Experience

- 35 years of finance and business experience across multiple industries
- 25 years in C-Suite/Senior Manager roles in companies involved in motor and heavy equipment distribution, manufacturing, plantation, corporate strategy, corporate finance, and mergers and acquisitions, including as:
 - Group Finance Director, Tractors Malaysia Holdings Berhad (1996-2001)
 - Group Finance Director, Consolidated Plantations Berhad (2002-2004)
 - Executive Vice President, Group Corporate Finance, Strategy and Business Development, Sime Darby Berhad (2010-2014)
 - Managing Director, Energy and Utilities (Non-China) Division, Sime Darby Berhad (2015-2016)
- Served with PriceWaterhouse, London, United Kingdom (1982-1986)

Directorship of Other Listed Issuers/Public Companies

- Hong Leong Islamic Bank Berhad
- Khyra Legacy Berhad
- Tradewinds Plantations Berhad

Membership of Board Committees in HRC

- Chair of Board Audit Committee
- Member of Board Risk Management Committee
- Member of Board Tender Committee
- Member of Board Whistleblowing Committee

Board of Directors' Profile



Malaysian



Age 67



Female

FAUZIAH HISHAM

Independent Non-Executive Director

Date of Appointment

1 June 2017

Professional Membership

- Fellow of The Chartered Governance Institute, United Kingdom
- Qualified Risk Director, Institute of Enterprise Risk Practitioners

Experience

- Over 30 years of experience in the banking industry with various leadership roles, including as:
 - Chairman of the Board of Directors, J.P. Morgan Chase Bank Berhad (2015-2018)
 - Country Group Representative & Executive Director, Institutional Banking, Australia & New Zealand Banking Group Ltd (2008-2014)
 - Managing Director, Strategic Client Coverage Group, Standard Chartered Bank Malaysia Berhad (2006-2008)
 - Chief Executive Officer, J.P. Morgan Chase Bank Berhad (2002-2006)

Directorship of Other Listed Issuers/Public Companies

- Agensi Kaunseling & Pengurusan Kredit (a subsidiary of Bank Negara Malaysia)
- Malayan Banking Berhad
- Malayan Ageas Holding Berhad
- Maybank Philippines Inc

Membership of Board Committees in HRC

- Member of Board Audit Committee
- Member of Board Nominating and Remuneration Committee



Malaysian



Age 54



Male

SURINDERDEEP SINGH MOHINDAR SINGH

Independent Non-Executive Director

Date of Appointment

23 February 2019

Academic Qualification

- Bachelor of Computer Science (Hons) University of Technology, Malaysia
- Master of Business and Administration, Henley Management College, United Kingdom

Experience

- President of the Rotary Club of Kuala Lumpur DiRaja
- Chairman of the Kuala Lumpur Rotary Charity Foundation
- Head of Enterprise Business and Solutions in Celcom Axiata Sdn Bhd (2017-2018)
- 24 years with the Shell Group of Companies, including as:
 - General Manager, Strategy and Portfolio, Shell Malaysia Ltd (2014-2016)
 - General Manager, Shell Marine Products (2009-2014)
 - Managing Director, Shell India Marketing Private Limited (2007-2008)
 - Vice President Director, Shell Indonesia (2004-2006)
 - Various leadership positions, including Regional Retail Manager, Operations Excellence Manager and Site System Technical Analyst with Pilipinas Shell Petroleum Company and Shell Malaysia Trading Sdn Bhd (1993-2004)

Directorship of other Listed Issuers/Public Companies

None

Membership of Board Committees in HRC

- Chair of Board Nominating and Remuneration Committee
- Chair of Board Whistleblowing Committee
- Member of Board Audit Committee
- Member of Board Projects Review Committee



Malaysian



Age 60



Female

TAI SOOK YEE

Independent Non-Executive Director

Date of Appointment

1 November 2022

Academic Qualification

Certified Public Accountant, Malaysian Institute of Certified Public Accountants

Professional Membership

- Member of the Malaysian Institute of Accountants (MIA)
- Member of the Malaysian Institute of Certified Public Accountants (MICPA)

Experience

- 36 years of finance, governance and regional business experience across multiple industries
- 30 years of business leadership positions, and senior management roles in finance, strategy and investments, in heavy building materials, industrial supply chain, maritime, port & logistics, and oil & gas businesses, in:
 - IMC Pan Asia Alliance Group (2007-2019), as:
 - ▶ Chief Operating Officer, OCTAVE Institute (2018-2019)
 - ▶ Executive Director, AITIA Institute (2016-2020)
 - ▶ Group Managing Director, IMC Industrial Group (2012-2016)
 - ▶ Head of Chairman's Office, IMC Pan Asia Alliance Group (2009-2012)
 - ▶ Head of Group Strategies and Investments, IMC Pan Asia Alliance Group (2007-2009)
 - CEMEX Malaysia, as Country Director (2003-2007)
 - RMC Group Services, as Regional Controller, IMEA (India, Middle East, Asia) (2001-2003)
 - Golden Plus Holdings Berhad, as General Manager, Finance & Corporate Services (1992-2001)
 - Bumiputra Merchant Bankers Berhad, as Corporate Finance Advisor (1990-1992)
- Served with KPMG Malaysia and KPMG USA (1982-1990)

- Directorships on boards of companies listed in Malaysia and Australia:
 - Hume Cement Industries Berhad (2018-present)
 - ▶ Independent Non-Executive Director
 - ▶ Chair, Board Audit & Risk Management Committee
 - ATLAS Iron Limited, ASX Listed (2010-2015)
 - ▶ Non-Executive Director
 - ▶ Chair, Remuneration and Nomination Committee
 - LINQ Capital Limited, ASX Listed, Non-Executive Director (2010-2012)

Directorship of Other Listed Issuers/Public Companies

- Hume Cement Industries Berhad

Membership of Board Committees in HRC

- Member of Board Audit Committee
- Member of Board Risk Management Committee

NOTE:

Unless otherwise stated, all Directors have no family relationship with any other Director and/or major shareholder of our Company. They have no conflict of interest with our Company and have not been charged with any offence within the past 10 years.

MANAGEMENT TEAM PROFILE



Grant Gao Jin Liang
Chief Executive Officer



Elwin Tan Chun Siang
Chief Financial Officer



Lee Kok Kuen
Acting Chief Operations Officer



Li Bin
Chief Commercial Officer



Zulhazmi Mohamad
Chief Government Relations
Officer



Austin Zhou Qiang
Senior Manager, Engineering



Vikas Rishi
Senior Manager, Technology



Chang Chuak Shin
Manager, Quality and HSSE



Xiang Rui Tao
Manager, Contract &
Procurement



Aaric Soo Yuh Huei
Chief Internal Auditor

GRANT GAO JIN LIANG

Chief Executive Officer

Chinese • Age 48 • Male**Appointed:** August 2021

Grant holds a Master in Business Administration Degree from Xi'an Jiaotong University and a Degree holder in Mechanical Engineering and Automation from Dalian University of Technology in China. He carries with him more than 20 years of experience that spans across different industries from electronics to fine chemical, petrochemical and advanced material, in both operations and general management.

Grant commenced his career in 1997 as a Production Supervisor at SKY Motor Co., Ltd, then at USI Electronic (Shenzhen) Co., Ltd; DuPont China Holding Co., Ltd; and BP Castrol Lubricants (China) Co., Ltd. In 2005, he assumed the role as Production Manager at Rockwood (Taicang) Pigments Co., Ltd. Subsequently as the Production Director at Evonik Sanzheng (Chongqing) Fine Chemical Co., Ltd in 2009. From 2011 to 2020, Grant held the position of Plant Manager at Total Lubricants (China) Co. Ltd.

One of his greatest achievements was when he led and successfully completed establishing the Total Tianjin manufacturing plant and upgraded an old Guangzhou plant. He has also successfully initiated and ran the operational excellence projects of Lean, Total Productive Maintenance (TPM) and Total Quality Management (TQM) at Total.

Prior to joining HRC, Grant was the General Manager at PVYX High Performance Materials Co., Ltd in China.

ELWIN TAN CHUN SIANG

Chief Financial Officer

Malaysian • Age 50 • Male**Appointed:** May 2021

Elwin holds a Master's degree of Executive Master of Business Administration (EMBA) from the University of Strathclyde Business School, United Kingdom. He is a member of Chartered Global Management Accountant (CGMA) of the Chartered Institutes of Management Accountants and a Chartered Accountant of the Malaysian Institute of Accountants.

Elwin has vast finance management experience in Malaysia and China. He held various senior finance roles in aviation industry, edible oil refineries and wood processing industry over the last 20 years. He began his professional career as an Accountant with Hume Redland Readymix Sdn Bhd in 1999. Since then, he has expanded his careers in financial management with Hong Yang Wood Industries Co., Ltd and Hubei Zhong Chang Vegetables Oil Co., Ltd.

Elwin held various roles in AAR CORP as General Manager and Financial Controller. He was the Chief Financial Officer in Flightparts (Xiamen) Component Services Co., Ltd. before assuming his current role in HRC.

LEE KOK KUEN

Acting Chief Operations Officer

Malaysian • Age 59 • Male**Appointed:** August 2022

Kok Kuen holds a Diploma from Polytechnic Kuantan, Pahang where he majored in Electronics and Telecommunications. With over 35 years of working experience, he started as an Operation Technician in 1990 at the Port Dickson refinery, formerly Shell Refining Company (SRC) and now Hengyuan Refining Company (HRC) where he rose through the ranks. An established leader with proven track record, he has extensive experience in managing and optimising production processes to achieve operational excellence that leads to higher productivity, better cost control, and enhanced product quality, while continuously ensuring the safety of all employees and contractors at site. Before joining HRC, he has worked with Sun Organization, Hitachi Electronic and Texas Instruments where he had received education scholarship to obtain his Diploma in Electronics and Telecommunications.

LI BIN

Chief Commercial Officer

Chinese • Age 59 • Male**Appointed:** March 2023

Li Bin holds a Master's Degree in Law (International Trade and Maritime) from University of International Business & Economics in China. He passed the Bar Examination and qualified as a lawyer who is well versed in international maritime and trade law. Li Bin carries with him a breadth of experience of more than 30 years in various fields spanning across shipping, trading, oil terminals & logistics, investment banking and overseas oil investment industries from different countries and regions, including USA, Singapore, China (Beijing, Shanghai and Hong Kong). He has years of experience at J.P. Morgan as the Executive Director. Before joining HRC, Li Bin was a consultant on overseas investment and oil project.

Management Team Profile

ZULHAZMI MOHAMAD

Chief Government Relations Officer

Malaysian • Age 52 • Male

Appointed: March 2019

Zulhazmi holds a Bachelor of Electrical Engineering (Hons) from the University of Southampton, UK. He joined the Company in 1994, and has held multiple jobs in projects, engineering, and maintenance over the last 25 years, including the detailed design and construction of the state-of-the-art Long Residue Catalytic Converter Unit (LRCCU) project. He was also involved in the design, construction, commissioning and start-up of the HIJAU complex for HRC in Port Dickson.

He was the HRC Engineering Senior Manager from 2011 and was appointed as Chief Projects Officer in 2018. He later assumed the role as the Chief Government Relations Officer in 2019 and support the Company in mediating business and operational issue through advice and identifying relevant interventions and strategies, to help resolve critical situations or disputes that involve government, regulation and legislation.

AUSTIN ZHOU QIANG

Senior Manager, Engineering

Chinese • Age 52 • Male

Appointed: March 2022

Austin holds a Chemical Equipment & Machinery Junior College Diploma from Changzhou University. Austin has over 28 years of working experience in engineering and construction of petrochemical and chemical industry. He started his career as a Mechanical Engineer in LDPE plant of QiLu Petrochemical Company, Sinopec in 1995. In 2003 he joined CNOOC & Shell as a Mechanical Engineer for 2 years before starting work from June 2005 with VCM/PVC plant of Tosoh and Hanwha for 6 years as Project/Maintenance Manager. From 2011, he worked with fine chemical industry as the Engineering Manager in-charge of the project, maintenance and utility operation in IFF, Symrize and Victrex.

Austin has an extensive work experience where he has been involved in taking up key roles in project management, construction management, commissioning and leading the start-up including the maintenance of systems establishment.

VIKAS RISHI

Senior Manager, Technology

Indian • Age 41 • Male

Appointed: March 2022

Vikas holds a Bachelor Degree Chemical engineering from Thapar University, India.

He has a total of 18 years of diverse experience and previously worked with two renowned oil & gas refining companies i.e Reliance Petroleum and Hindustan Petroleum-Mittal Energy Limited in Technology Department. In 2018, he took on the role of Technology Section Head-PU1, Oil Movement and HDS-2 until March 2022 at HRC.

In the accumulated years of downstream business, Vikas has worked in Technology/Technical Service, Plant Operations, revamp Projects & Commissioning, Turnarounds. He has experience in various Refining Technologies i.e. Crude Distillation, Thermal Cracking (Delayed Coking), Reforming, Hydro-treating and Merox Technologies.

CHANG CHUAK SHIN

Manager, Quality and HSSE

Malaysian • Age 38 • Male

Appointed: August 2021

Chang Chuak Shin holds a Bachelors of Mechanical Engineering (Hons) from Universiti Tenaga Nasional, Malaysia. He is a Member of Board of Engineer Malaysia and a Certified Maintenance and Reliability Practitioner (CMRP).

Chang has been working with the Company for over 13 years. He joined the Company (formerly known as Shell Refining Company FOM Berhad) under the company's graduate programme in year 2009 and started his career as a Rotating Equipment Engineer in the company before taking the role as Maintenance Excellence Advisor in 2016. Subsequently, he was seconded to the Project team in 2018 as Plant Major Turnaround Coordinator and in 2019, he was appointed as the Plant Maintenance Manager.

Across his career with HRC, Chang has led and driven various efforts in the refinery including plant troubleshooting, implementing initiatives to achieve plant optimisation and flawless execution as well as leading his team to achieve zero safety recordable cases record.

XIANG RUI TAO

Manager, Contract & Procurement

Chinese • Age 33 • Male

Appointed: November 2021

Xiang Rui Tao holds a Bachelor Degree from University of Guangxi Normal University and is a certified holder of the Certification Scheme for Personnel 3.1 (CSWIP 3.1).

Xiang's career started in Saudi Arabia where he was attached to major projects of constructing new petroleum oil refineries and petrochemical plants. His responsibilities evolved around overseeing and managing the projects at multiple levels. After his stint in Saudi Arabia, he returned to China to join Shandong Hengyuan Petrochemical Group company. In year 2018, he was assigned to HRC Port Dickson, Malaysia where he worked as a Project Interface Advisor & CEO Interface Officer and later as the Lead Governance, Contract Management (Administrator) before he assume the current role as Contract & Procurement Manager in year 2021.

AARIC SOO YUH HUEI

Chief Internal Auditor

Malaysian • Age 42 • Male

Appointed: March 2023

Aaric holds a Bachelor of Science (Computing) from Oxford Brookes University. A Certified Information Systems Audit (CISA) of Information System Audit and Controls Association (ISACA), Aaric carries with him more than 20 years of working experience in auditing the oil & gas service providers and in the leisure & hospitality industry.

He began his career as an Internal Auditor at Genting Group and later joined several public listed companies of oil & gas service providers as a Senior Manager, Internal Audit.



2022 ANNUAL REPORT

POWERING PROGRESS AND PREPARING FOR MAJOR TURNAROUND 2023





CORPORATE GOVERNANCE OVERVIEW STATEMENT

Hengyuan Refining Company Berhad (Company or HRC) is committed to upholding honesty, integrity and fairness in all aspects of its business and operations and ensuring that good corporate governance is practised as part of building a sustainable and long-term business.

The Company continues to be recognised in the Minority Shareholders Watch Group (MSWG) Corporate Governance Awards 2021 as one of the top 100 companies for corporate governance disclosure. In December 2022, HRC received the maximum four (4) stars in Economic, Social and Governance (ESG) ratings, ranking the Company amongst the top 25% public companies listed in the FTSE Bursa Malaysia Emas Index which were assessed by FTSE Russell. These achievements were accorded to the Company based on public information and disclosures in the financial year ended 2022. HRC shall continue its efforts in practising and promoting good corporate governance as part of the fundamental principles of the Company.

The Board of Directors (Board) is pleased to provide an overview of the Company's corporate governance practices during the financial year ended 31st December 2022 (FY2022), including key focus areas and future priorities, in accordance with the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Malaysia) and the Malaysian Code on Corporate Governance (MCCG). This statement is to be read together with the Company's Corporate Governance Report 2022, providing details on the application of the Practices set out in the MCCG during FY2022 and explanations for any departures from the recommended Practices. These are published on the Company's website at www.hrc.com.my.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

The primary role of the Board is to represent, promote and protect the interests of the Company, including its shareholders and stakeholders. To effectively discharge the Board's functions and responsibilities, certain powers are delegated to the Management and the following Board Committees:

- | | |
|---|---|
| <ul style="list-style-type: none"> i. Board Audit Committee (BAC); ii. Board Nominating and Remuneration Committee (BNRC); iii. Board Risk Management Committee (BRMC); | <ul style="list-style-type: none"> iv. Board Projects Review Committee (BPRC); v. Board Tender Committee (BTC); and vi. Board Whistleblowing Committee (BWC). |
|---|---|

Amongst others, the Board assumes the following responsibilities:

| No | Principal Responsibilities | Explanation and updates for FY2022 |
|-----|---|--|
| i. | Together with senior management, promote good corporate governance culture within the Company which reinforces ethical, prudent and professional behaviour. | The Company has a full set of governance controls, policies and procedures, including HRC's General Business Principles, Code of Conduct, Anti-Bribery and Corruption Policy, Anti-Bribery & Corruption and Anti-Money Laundering Manual, Manual of Authorities, Directors' Fit & Proper Policy, a control framework and approval checks at various levels to instil good corporate governance practices within the Company. |
| ii. | Reviewing and adopting a strategic plan for the Company | On 29 th November 2022 and 21 st January 2023, the Board had reviewed the 2023 Business Strategies and approved the Business Plan 2023 tabled by the Management, setting out the Company's strategy to achieve both short-term and long-term value creation for the Company. Operational Excellence Framework was implemented in tandem with building capabilities, leadership support and program stewardship. The areas of focus included People, Personal and Process Safety, Asset Reliability, and Environmental, Social and Governance (ESG). |

| No | Principal Responsibilities | Explanation and updates for FY2022 |
|------|--|--|
| iii. | Overseeing the conduct of the Company's business | <p>The Board oversees the Company's business and assesses the performance of the Management to determine whether the business is properly managed in accordance with the Company's objectives. This includes the Company's financial management and performance, operational excellence, control and accountability systems, corporate governance, risk management practices, compliance to laws and regulations (including HSSE compliance) and human capital management.</p> <p>The Board and Board Committees reviews, challenges, and deliberates on proposals tabled by the Management and discusses the Company's performance during Board and Board Committee meetings.</p> <p>A scorecard based on Key Performance Indicators (KPIs) set for the Management is utilised by the Board to measure the performance and effectiveness of the Company.</p> |
| iv. | Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures | <p>The Board understands that business decisions involve taking appropriate risks and sets the risk appetite for the Company. To ensure appropriate internal controls and mitigation measures are in place, the BAC and BRMC assist the Board in assessing and anticipating potential risks to the Company and recommend appropriate actions to be taken to mitigate the risks.</p> <p>The BAC oversees the internal controls system of the Company while the BRMC ensures that an effective risk management framework is in place. The Committees also ensure that the Company's internal controls and risk management framework are periodically tested for its effectiveness and integrity.</p> |
| v. | Succession planning | <p>The BNRC assists the Board to oversee the nomination function to ensure that key members of senior management have the necessary skills and experience, and that orderly succession planning for directors and senior management is in place.</p> <p>The appointments, discipline, and termination of key positions in senior management, such as the Chief Executive Officer (CEO), Chief Financial Officer (CFO) or Financial Controller (in the absence of CFO) and Head of Human Resource (HR) or HR Manager (in the absence of Head of HR), are evaluated by the BNRC before recommendations are made to the Board for approval.</p> <p>The BNRC also reviews the leadership needs of the Company on a regular basis and ensures that an appropriate succession planning framework, talent management and human capital development programme is in place for senior management positions. The succession plans are discussed in the quarterly BNRC meetings.</p> <p>The BNRC recommends nominations to the Board and Board Committees, based on objective criteria, merit and with due regard to diversity of gender, nationality, age, culture, socio-economic background, skills, experience and independence. The Committee also oversees the annual assessment of the effectiveness of the Board, the Board Committees and individual directors, and evaluates the Board's composition to ensure that they are in line with the Company's requirements.</p> |
| vi. | Overseeing the development and implementation of a stakeholder communications policy for the Company | <p>The Company keeps its stakeholders updated through communications published on the Company's website and announcements made to Bursa Malaysia, including general announcements and the Company's quarterly financial reports, annual report, sustainability report and circulars to shareholders, as well as virtual townhall meetings and employee information circulars, whenever required. Apart from that, the Company continues to engage in active communications with the communities near the Company's site in Port Dickson to foster close relationships and keep its neighbours informed on matters that may affect them.</p> |

Corporate Governance Overview Statement

| No | Principal Responsibilities | Explanation and updates for FY2022 |
|-----|--|--|
| vii | Reviewing the adequacy and the integrity of the management information and internal control systems of the Company | <p>The management information and internal control systems of the Company are governed by the control framework approved by the Board. The framework includes management processes on risk management, controls and assurances to support the Company's business objective.</p> <p>The Board reviews the integrity of the Company's financial and non-financial reporting with the assistance of the BAC and the BRMC.</p> <p>The Board is also supported by the Company's internal audit and risk and integrity functions to ensure that internal controls are properly managed.</p> <p>Further details of the risk management and internal control framework are provided in the Company's Statement on Risk Management and Internal Control, which is available on page 69 of this Annual Report.</p> |

The primary roles and responsibilities of the Board and Board Committees are contained in the Board Charter and the Terms of References (TOR) of the respective Board Committees. They are published on the Company's website at www.hrc.com.my.

Separation of Positions of the Chairman and Chief Executive Officer

The positions of Chairman and CEO in the Company are held by different individuals and there is clear separation of duties and responsibilities between them.

Mr Wang, YouDe continues to hold the position of Chairman of the Board. The Chairman presides over meetings of Directors and is responsible for instilling good corporate governance practices, leadership and the effectiveness of the Board.

Mr Gao JinLiang is the CEO of the Company, the principal executive officer primarily responsible for the operations of the Company and accountable to the Board for the authority delegated to him. He is not, and has never been, a Board member of the Company.

Company Secretary

The Company is supported by two (2) professionally qualified and competent Company Secretaries who provide, amongst others, advisory services to the Board on their roles and responsibilities, corporate disclosures, corporate governance issues and compliance with relevant policies and procedures, laws and regulatory requirements, and assist the Board in applying governance practices to meet the Board's needs and stakeholders' expectations.

Access to Meeting Materials

The notices and agenda of meetings and the relevant board papers are circulated to members of the Board and Board Committees at least five (5) working days prior to the meeting to ensure that there is sufficient time and information for its members to review and evaluate the matters to be deliberated at meetings.

The Company uses an online collaborative software to facilitate the effective distribution of board meeting materials and allow Board members to easily access, review and comment on the Board papers securely. Board and Board Committee members will raise meeting-related questions and action items for follow-up by the Management.

The Board Charter and TOR of the respective Board Committees specify that minutes of the meetings were circulated to the Board and respective Board Committee members within ten (10) working days of the meeting for comments by the members and Management. Thereafter, the final draft Minutes were distributed to the Board and the respective Board Committees at least five (5) working days before the following meeting together with the Board papers. The chairman of the meeting at which the proceedings were held or the chairman of the next succeeding meeting will approve the finalised Minutes.

Board Charter

The Board reviews and evaluates the adequacy of its Board Charter on a regular basis to ensure that there is clarity in the roles and responsibilities of the Board, its committees, individual directors, the relationship between the Board and Management and issues reserved for the Board.

The Board Charter was updated on 29th November 2022 to include "*fit and proper criteria*" as one of the factors in the assessment of candidates for the Board. The fit and proper criteria are set out in the Directors' Fit and Proper Policy adopted by the Board on 28th October 2022.

The Board Charter is published on the Company's website at www.hrc.com.my.

Code of Conduct

The Company continues to enforce strict compliance to its Code of Conduct, which provides information and guidelines for the Company to achieve its business principles and core values in the conduct of its businesses and operations. The Code of Conduct addresses areas which include, but is not limited to, unacceptable behaviour, conflict of interests, breach of laws and regulations, insider dealing, use of information technology and electronic communications, data privacy, intellectual property, information and records management, gift & hospitality procedure, disclosures and business communication.

The Code of Conduct is supplemented by the Company's Gift & Hospitality Procedure, which sets out the procedures for accepting, receiving and declaring gifts from the Company's business partners.

The Company's Anti-Bribery & Corruption & Anti-Money Laundering Manual (ABC & AML Manual) further solidifies the Company's proactive measures in ensuring that its employees and business partners comply with laws and regulations that prohibit bribery, corruption and money laundering.

The Code of Conduct and ABC & AML Manual are accessible on the Company's website at www.hrc.com.my.

Whistleblowing

The Company has a Whistleblowing Policy to encourage and facilitate the disclosure of genuine and legitimate improper conduct raised by employees of HRC, employees of HRC's contractors, vendors, customers and members of the public at the earliest opportunity.

In addition, the BWC was established by the Board to carry out the following objectives:

- i. Review, investigate and resolve complaints of improper conduct of any member of the Board or any employee of the Company that is submitted to the BWC through the Company's whistleblowing channel;
- ii. Develop the Company's Whistleblowing Policy and procedures and to implement them together with the Management of the Company; and
- iii. Periodically assess the adequacy and effectiveness of the Company's Whistleblowing Policy and procedures and to revise them as necessary.

The Board regularly reviews and updates the Company's Whistleblowing Policy. The Whistleblowing Policy and Terms of Reference of the BWC are published on the Company's website at www.hrc.com.my.

Addressing Sustainability Risks and Opportunities

Amongst the roles of the Board is to ensure that the Company adopts a strategic plan that supports both short-term and long-term value creation and includes strategies on economic, environmental, safety & health, social and governance considerations underpinning sustainability.

The Board sits on top of the Company's sustainability governance structure and holds overall responsibility and oversight on all sustainability matters of the Company. Directors stay abreast of sustainability issues relevant to the Company by reviewing and approving sustainability strategies, targets, risks and opportunities, which are proposed and developed by the CEO and management team, based on reports from steering committees and the respective departments of the Company. The management team also provides leadership and oversees implementation of the sustainability strategy.

Risks and opportunities arising from sustainability issues are identified and tracked quarterly in risk and opportunities registers monitored by the Risk & Integrity Department. The registers are presented to the BRMC at its quarterly meetings.

The Board has approved the Company's aspiration to achieve "Net Zero Carbon Emission by Year 2050" and the Company's establishment of the ESG framework. Two key elements have been incorporated into the strategies to achieve the Company's aspiration:-

- (i) Reduce emission through optimisation of energy consumption as well as usage of renewable/alternate clean energy; and
- (ii) Seek initiatives such as nature restoration projects to compensate for the emission.

In the Board Evaluation Assessment for the financial year 2022 ("BEA FY2022"), Directors agreed that sustainability factors have been taken into consideration when exercising their duties, including the development and implementation of strategies, business plans, major plans of action and risk management of the Company. The Board also agreed that the sustainability matters for the year are adequately reported in the Board materials and discussed at Board or Board Committee meeting.

The Board was of the view that ESG-related training is needed for the Board and Senior Management as it is a relatively new emerging industrial agenda to the Company. The Board recognised the need for long-term plans and strategies for refinery industry in light of ESG requirements. The Company had therefore implemented an Operational Excellence Framework, of which ESG is one of its focus areas.

Corporate Governance Overview Statement

Performance evaluations of the Board and Senior Management include a review of their performance in addressing the Company's material sustainability risks and opportunities.

The performance evaluation of Senior Management takes into consideration the Company's scorecard and results, including material sustainability risks and opportunities in the areas of HSSE and compliance, operational excellence, financial performance and stakeholder value.

The Company's sustainability governance, targets, performance and initiatives are set out in the annual Sustainability Report and is publicly available to all internal and external stakeholders on the Company's website at www.hrc.com.my. The website also sets out the Company's practices towards climate change, pollution and resources management, and water consumption and management.

II. BOARD COMPOSITION

As at 31st December 2022, the Board consists of six (6) directors, comprising two (2) Non-Independent Non-Executive Directors and four (4) Independent Non-Executive Directors, to ensure balance of power and authority within the Board.

On 28th October 2022, BNRC reviewed the current Board composition of HRC and recommended the new appointment of Ms Tai Sook Yee (Ms Tai) as the Independent Non-Executive Director of HRC for the Board's consideration. The new appointment has taken into account the criteria set out in the TOR of the BNRC, the Board Diversity Policy and the Directors' Fit and Proper Policy, requiring Ms Tai to complete a Fit and Proper Declaration Form for evaluation by the BNRC and the Board. On 31st October 2022, the Board, after having reviewed Ms Tai's character, integrity, experience, competence, time commitment, and independence criteria as set out in MMLR, approved her appointment as the Independent Non-Executive Director of HRC effective from 1st November 2022.

On 30th December 2022, the Company announced the resignation of Mr Liang Kok Siang who had served as the Independent Non-Executive Director of HRC for 5 years and 7 months, effective from 31st December 2022. None of the Company's Independent Non-Executive Directors have served beyond nine (9) years on the Board. The Company's Board Charter specifies that the tenure of an Independent Non-Executive Director should not exceed a cumulative term limit of nine (9) years.

On 1st April 2022, the Board approved the 63rd AGM notice containing the agendas of the re-election of directors, namely Wang, YouDe and Alan Hamzah Sendut.

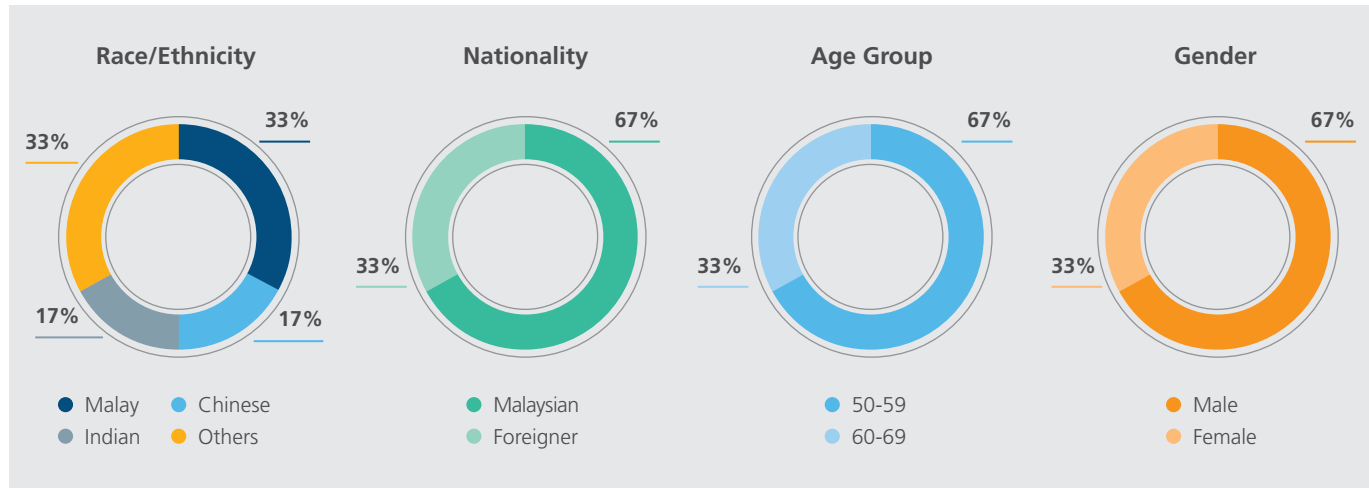
Profiles of the directors seeking re-election were included in the FY2021 Annual Report issued together with the notice of meeting. The profiles included the details of the directors' age, gender, working experience, any conflict of interest, family relationship, director's shareholdings and directorship in other companies. The statement of BNRC to support the re-election of the directors together with its reasons were clearly stated in the explanatory notes of the resolutions in the Notice of 63rd AGM. The 63rd AGM Notice was issued to shareholders on 26th April 2022.

Board and Senior Management Diversity

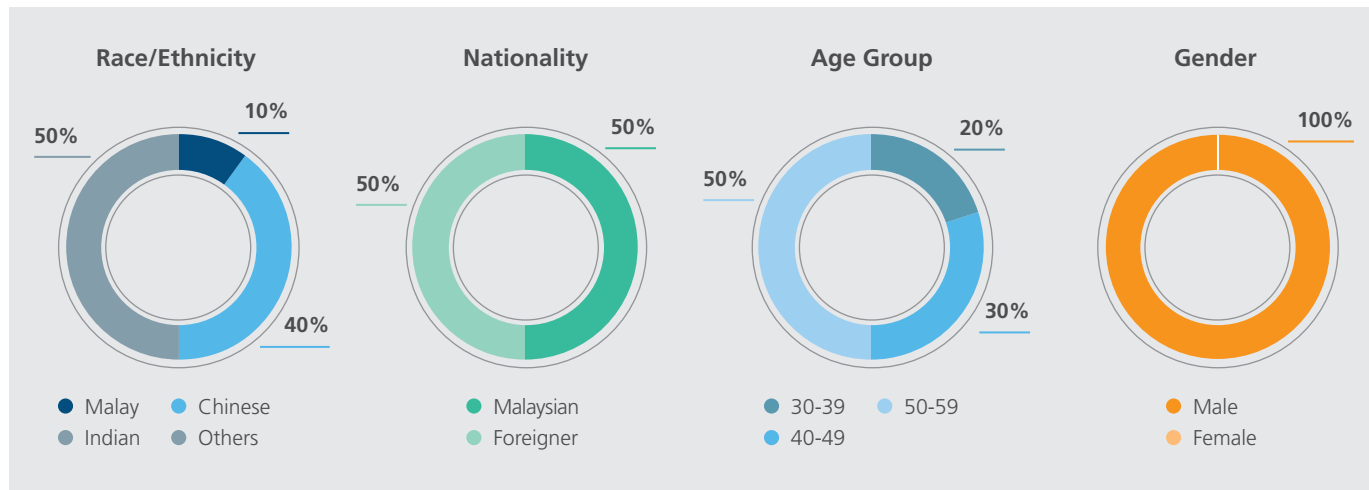
The Board recognises the importance of having a diverse Board and Senior Management with a mix of relevant skills, expertise and experience to provide diverse perspectives and insights for decision making in the best interests of the Company. The BNRC assists the Board with screening and selection of candidates for the Board and key members of the Company's management team in accordance with the Board Diversity Policy and the Committee's TOR.

Factors considered by the BNRC include the candidate's skills, knowledge, expertise and experience, time commitment, character, professionalism and integrity, ability to work cohesively with other members, age, gender, culture, nationality, socio-economic background, number of directorships in other companies, and the requirements of the Company.

As at 31st December 2022, the Diversity of the Board was as follows:



As at 31st December 2022, the Diversity of the Management team was as follows:



The Board Diversity Policy sets out the Company’s approach for the consideration of diversity in areas such as skills and expertise, background, age, and gender in its appointment of candidates to the Board. While the policy supports women’s participation in decision making positions and the recommendations of the MCCG to have at least 30% women directors on the Board, to ensure that the interests of the Company and its stakeholders are protected, the standard selection criteria for directors, which is set out above, remains a priority for the assessment of Board candidates. The gender diversity target will be considered collectively with all other factors.

The appointment of senior management members is guided by the Company’s Equal Opportunity principle entrenched in the Code of Conduct, which prohibits discrimination on gender, amongst others, in making employment decisions.

The Board Diversity Policy and Code of Conduct are published on the Company’s website at www.hrc.com.my.

Board Nominating and Remuneration Committee

The BNRC is responsible for assisting the Board on nomination and remuneration functions with respect to Board members and selected senior management positions of the Company. The Committee recommends the nominations of candidates to the Board and Board Committees, and evaluates and recommends to the Board the employment, promotion, discipline, resignation and termination of the CEO, CFO or Financial Controller (in the absence of CFO) and Head of HR or HR Manager (in the absence of Head of HR). The Committee also ensures that a remuneration policy for expatriate employees of the Company is in place.

Corporate Governance Overview Statement

On 19 August 2022, the BNRC was briefed by the Company's Human Resources on the proposed amendments to Human Resources Policy affecting the Company following the change in the Employment Act 1955 that came into effect on 1 January 2023. The BNRC provided comments and suggestions to the proposed amendments for enhancement before adoption by the Company.

The Chair of the BNRC is Surinderdeep Singh Mohindar Singh, an Independent Non-Executive Director of the Company. The other members of the BNRC are Wang, YouDe, a Non-Independent Non-Executive Director, and Fauziah Hisham an Independent Non-Executive Director.

Nomination Activities of the BNRC

Assessment of Board Composition

Pursuant to its TOR, BNRC evaluates, reviews and recommends to the Board the appropriate size and composition of the Board, required mix of skills, experience and other qualities, to be in line with the Company's requirements, on an annual basis.

The BNRC had, on 26th August 2021, considered the composition of the Committee and resolved that it was important for Wang, YouDe, who is the Chairman of the Company and represents the major shareholder on the Board, to be part of the BNRC to ensure that interests are aligned in so far as high-level appointments, remuneration policies and human resources matters are concerned. The Committee also noted that the Chairman holds a non-executive position and that the BNRC comprised of two (2) other members, who were Independent Non-Executive Directors, which would provide a check and balance to the objectivity of its decisions.

Based on the results of the BEA FY2022, the BNRC is happy with the current composition of the Board. A Board Committee composition review was scheduled in the first quarter of 2023 to ensure balanced and effective deployment of Board members.

Appointments to the Board

In carrying out its nomination functions, the TOR of the BNRC provides that the Committee may solicit and consider the views of existing Board members, management, major shareholders, independent search firms and a variety of other independent sources. The appropriate disclosures will be made in the Company's annual report if independent sources were not used for the selection.

In FY2022, the BNRC, after having considered the current Board Composition of HRC, recommended the new appointment of Ms Tai Sook Yee as the Independent Non-Executive Director of HRC to the Board for approval. The BNRC remarked that

the new appointment has considered the criteria set out in the TOR of the BNRC, the Directors' Fit and Proper Policy, and the Board Diversity Policy. Ms Tai Sook Yee also met the criteria of independence set out in Listing Requirements for "independent director". She has no family relationship with any other Director and/or major shareholder of the Company. She did not hold any shares in HRC and has no conflict on interests with the Company.

Re-election of Directors

The BNRC ensures that every director is subject to retirement at least once every three (3) years in accordance with Paragraph 7.26 of the MMLR and the Company's Constitution. The Committee also recommends to the Board the directors to be re-elected by shareholders at the Company's AGM.

The BNRC reviewed the Directors' Rotation checklist, considered the tenure of directors, namely Wang, ZongQuan and Fauziah Binti Hisham, who are seeking re-election at the Company's 64th AGM scheduled to be held on 25th May 2023, and resolved on 28th March 2023 to recommend their re-appointments to the Board, based on the following reasons:

- Based on the results of the BEA FY2022, Wang, ZongQuan has a relevant mix of experience, skill, knowledge, expertise and core competency that is beneficial to the Company, including industry specific knowledge and oil and gas business strategy, project management and engineering, as well as commercial economics and scheduling; he keeps abreast with his responsibilities as a director and of the conduct, business activities and development of the Company, ensure that feedback received from stakeholders is considered by the Company when making business decisions; and he acts as the Company's Deputy Chairman demonstrates and commands effective leadership of the Board, oversees effective decision-making process and ensures crucial alternatives are considered.
- Based on the results of the BEA FY2022, Fauziah Hisham has a relevant mix of experience, skill, knowledge, expertise and core competency that is beneficial to the Company, including banking, accounting and finance, internal controls, audit, corporate governance, regulatory compliance and human resource and development; she brings an independent judgement to bear on issues of accountability, objectivity, strategy, performance and adequacy of systems and controls; and she makes use in her role having due regard to knowledge, skills and behaviour, pro-active in discussing any concerns, exhibit openness and transparency.

Board Effectiveness Assessment

The BNRC is responsible for assisting the Board in establishing procedures and processes towards an annual assessment of the effectiveness of the Board and each Board Committee, as well as the contribution of each individual director. For FY2022, the BNRC decided to conduct the BEA FY2022 internally via peer and self-reviews, with an expansion of the existing questionnaire to cover review of sustainability performance, a holistic perspective and identify areas for improvement.

The BEA FY2022 included assessment of the effectiveness of the Board and Board Committees in relation to:

- i Composition and structure;
- ii Operations and interactions (including meetings, papers and communication between members); and
- iii Roles and responsibilities (including sustainability performance for the Board, strategy planning, human capital management and the Board's and Board Committee's relationship with the Management).

Based on the results of the BEA FY2022, the Board's greatest strengths in FY2022 presented the Board's ability to maintain stability and obtain constructive suggestions from the Board to address tough internal and external challenges; HRC maintained strong governance standards during the year; and the Board members have diverse skill sets and share common ambition for the future of HRC. In terms of strengthening the Board structure, the Board agreed that succession planning needs to be reviewed from time to time.

The directors completed a self and peer assessment in the categories of: Contribution to interaction, quality of input, understanding of role, skill set, character, experience, integrity, competence and time commitment. The directors indicated that they are satisfied with the overall effectiveness of the Board and respective Board Committees in the BEA FY2022.

The independent directors of HRC had also completed their self-assessment and declared their independency in compliance with the definition of "independent director" in the Listing Requirements.

III. REMUNERATION

The Company's Directors' Remuneration Policy ensures that the compensation packages to the directors are reflective of the Company's demands, complexities and performance as a whole, as well as the skills and experience required, and in line with the strategic objectives of the Company which rewards contribution to the long-term success of the Company.

The BNRC is guided by the following principles in its endorsement and recommendation of the remuneration to be paid to the individual directors, which is subject to approval by the Board:

- (i) The demand, complexities and performance of the Company as a whole;
- (ii) The level of responsibilities, skills, expertise and experience required;
- (iii) That the remuneration is set at a competitive level for similar roles and responsibilities within current market practices by comparable companies; and
- (iv) That any such remuneration incentives do not conflict with the directors' obligations to bring objectivity and independent judgment to the Company.

On 28th October 2022, the BNRC reviewed, endorsed and recommended to the Board for approval on the nomination of Ms. Tai Sook Yee as Independent Non-Executive Director and her remuneration package in accordance with the Directors' Remuneration Policy.

The remuneration structure for positions of CEO, CFO and Head of HR is overseen by the BNRC in accordance with its Terms of Reference.

The Directors' Remuneration Policy and the Terms of Reference of the BNRC are available on the Company's website at www.hrc.com.my.

Corporate Governance Overview Statement

For FY2022, details of the remuneration breakdown of individual directors, including fees, salary, bonus, benefits-in-kind and other emoluments (received or to be received from the Company) are as follows:

| Name | (in RM'000) | | | |
|-----------------------------------|---|-----------------|-----------------------------------|--------------|
| | Salaries, bonus and salaries related benefits | Directors' fees | Attendance and other remuneration | Total |
| Wang, YouDe | - | 738 | 4 | 742 |
| Wang, ZongQuan | - | 255 | 4 | 259 |
| Alan Hamzah Sendut | - | 264 | 6 | 270 |
| Fauziah Hisham | - | 186 | 4 | 190 |
| Liang Kok Siang* | - | 247 | 4 | 251 |
| Surinderdeep Singh Mohindar Singh | - | 240 | 4 | 244 |
| Tan Sook Yee** | - | 26 | 0.60 | 27 |
| Total | | 1,956 | 27 | 1,983 |

* Liang Kok Siang resigned from the Board on 31 December 2022.

** Tai Sook Yee was appointed as Independent and Non-Executive Director on 1 November 2022.

The directors of the Company were insured against certain liabilities under a Directors' and Officers' liability insurance policy for which the Company paid an aggregate sum of RM49,000.00.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. BOARD AUDIT COMMITTEE

The Chairman of the BAC is Alan Hamzah Sendut, an Independent Non-Executive Director who is not the Chairman of the Board. The Committee comprises solely of four (4) Independent Non-Executive Directors with a diverse mix of skills, knowledge, experience and perspectives in the areas of accounting, corporate finance, banking, the oil and gas industry, strategy, corporate governance and regulatory compliance, which enables the BAC to discharge its duties.

The BAC members continuously update themselves of the latest developments in accounting and auditing standards, practices and rules. The list of training courses attended by the members of the Board, including members of the BAC, can be found on page 152 of this Annual Report.

The BAC assists and supports the Board's responsibility of overseeing the suitability, objectivity and independence of the Company's external auditor and internal audit function by ensuring that proper internal controls are implemented to enhance the independence of these functions and by providing direction and oversight on behalf of the Board.

In line with Practice 9.2 of the MCCG, the Terms of Reference of the BAC provides that a former key audit partner of the external auditor shall be subject to a minimum of three (3) years cooling-off period before being appointed as a member of the BAC. At present, none of the Board members are or have been a key audit partner of the Company's external auditor.

The BAC is responsible for recommending to the Board the appointment or re-appointment of the external auditor and the audit fee after reviewing their suitability, resources, competency and independence, and any resignation or dismissal of the external auditor and the reasons therefor.

The external auditor is evaluated on an annual basis in accordance with the Company's External Auditor Assessment Policy, which considers the external auditor's competence, audit quality, independence and information contained in the external auditor's annual transparency report.

The BAC also obtains written assurances from the external auditor that they have complied with the relevant ethical requirements regarding professional independence.

The Board has adopted the Non-Audit Services Policy which sets out the non-audit services that can be rendered by the external auditor and its affiliates, and the limitation of fees for such non-audit services, which have been endorsed by the BAC.

The results of BEA FY2022 indicate that Board members are satisfied with the effectiveness of the BAC, the Committee has the right composition, and all directors are financially literate and able to understand matters under the purview of the BAC, including the financial reporting process.

The BAC's report is available on page 75 of this Annual Report.

II RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board strives to maintain a sound internal control and risk management system to ensure smooth running of the business. It is the Company's aim to manage its risks and control its business and financial affairs economically, efficiently and effectively, so as to be able to deliver profitable business opportunities in a disciplined way, to avoid or mitigate risks that can cause loss, reputational damage or business failure, and to enhance resilience to external events.

The BRMC provides oversight and direction on risk management matters to ensure prudent risk management over the Company businesses and operations. The Committee's functions include ensuring that the Company's internal control and risk management framework are periodically evaluated for quality, integrity and effectiveness, a systematic and comprehensive evaluation of the key risk areas are conducted and that controls are in place to mitigate and manage those risks. The implementation of risk controls is monitored and the results are presented to the BRMC during its meetings.

The Company's risk management is backed up by the implementation of three lines of defence that distinguishes the three groups which are involved in effective management of risk in the Company. The lines of defence are strengthened by the roles of the Risk & Integrity Executive and the Chief Internal Auditor. The Risk and Integrity Executive's primary functions are to ensure an adequate risk and control framework is in place, address all business integrity matters and promote an ethical culture within the Company.

Further details of the risk management and internal control framework are provided in the Company's Statement on Risk Management and Internal Control which is available on page 69 of this Annual Report.

Internal Audit Function

The Company's internal audit function comprises the following:

- (i) An independent internal audit department (IAD), which acts as an independent evaluating body to assist and provide assurance to the Board, the BAC and the Management. The IAD is headed by the Chief Internal Auditor (CIA) who reports functionally to the Chair of the BAC and

administratively to the CEO. There is one (1) Internal Auditor who reports to the CIA. The internal auditors have sufficient mix of knowledge, skills and competencies to execute the audit plan; and

- (ii) The Company's site internal assurance team (SIA), which comprises of 33 trained and/or ISO certified site internal auditors from various departments in the Company. The SIA reviews the site internal assurance and process effectiveness of the Company and reports to the QHSSE Manager. All SIA internal audit reports are reviewed by the CIA before finalisation.

The CIA reviews and assess the performance of the internal audit function of the Company on an annual basis. The internal audit charter of the IAD provides that the IAD shall maintain its objectivity and independence, at all times, and will have no direct operational responsibility or authority over any of the activities audited. The CIA is also required to confirm the organisational independence of the IAD to the BAC and the Board annually.

Further details of the IAD can be found in the Company's Corporate Governance Report 2022, which is published at www.hrc.com.my.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Communication with Stakeholders

The Board acknowledges the importance of effective communications to ensure that stakeholders are kept informed of the Company's objectives and strategic aims, performance and major developments affecting its business.

The Company has a Corporate Affairs Department to ensure effective, transparent and regular communication between the Company and its stakeholders via channels including:

- (i) Town hall meetings were held quarterly to ensure effective communication with employees such as to update on the Company business performance, employee relation matters and implementation of revised Company's policies to align with key amendments of the Employment Act 1955.
- (ii) Employee information circulars via electronic mail to all employees.
- (iii) Engagement with local, state and federal government authorities and Regulators to ensure compliance with laws and regulations applicable to the Company especially on financial, tax, governance, environment, health & safety, licensing and permits.

Corporate Governance Overview Statement

- (iv) Transparent and up-to-date announcements released through Bursa Malaysia to ensure that updates on material announcements such as material information, corporate exercise, financial reports, annual report, sustainability report and circulars to shareholders were released to shareholders and stakeholders.
- (v) The Company's website which contains useful information regarding the Company's background, vision, mission, values and purpose, the Board, management team, investor relations, corporate governance policies and documents, sustainability efforts, announcements, minutes of general meeting and contact details.
- (vi) E-mails and telephone enquiries to the Corporate Affairs Department, whose contact details are published clearly on the Company's website at www.hrc.com.my.

Stakeholders who wish to report improper conduct are able to do so via e-mail or in writing to the Whistleblowing Committee in any language, in accordance with the Whistleblowing Policy published on HRC's website.

To reduce paper wastage and to leverage on the efficacy of electronic communication methods, the Company e-mailed a notification card to shareholders containing a link and QR code to download its 63rd AGM notice, proxy form, FY2021 Annual Report and circular to shareholders, as allowed by its Constitution. Hard copies of the notification card were sent to shareholders who had invalid or rejected e-mail addresses. Hard copies of the FY2021 Annual Report and circular to shareholders were posted to shareholders who requested for them within four (4) market days.

Further details on stakeholder engagements and examples of the Company's corporate social responsibility initiatives are set out in the 2022 Sustainability Report, which is accessible on the Company's website at www.hrc.com.my.

II Conduct of General Meetings

The Company regards general meetings as important platforms for dialogue amongst directors, the Management and shareholders, and aims to encourage active participation by the shareholders during such meetings.

The Company's Board Charter and Constitution provides that the Board shall ensure that shareholders are given all necessary information and notice of the annual general meeting of the Company (AGM) at least twenty-one (21) days before the meeting. In practice, the Company has been circulating its notice of AGM at least twenty-eight (28) days before the meeting. The Notice of 63rd AGM, together with the 2021 Annual Report and circular to shareholders, was issued on 26th April 2022, which was twenty-eight (28) days before the meeting held on 25th May 2022.

Due to the ongoing COVID-19 pandemic and as part of the safety measures, the Company decided to hold its 63rd AGM virtually and did its best to provide meaningful and interactive engagement with shareholders via remote participation and voting facilities (RPV) provided by Tricor Investor & Issuing House Services Sdn Bhd's TIIH Online platform. The RPV facilities allowed shareholders to register, be authenticated for participation, attend, pose questions to the Board during the AGM and vote for the meeting agendas remotely. The platform also allowed shareholders to submit questions prior to the AGM.

To ensure a seamless virtual meeting experience for participants, the Company engaged a professional audio service provider to broadcast the 63rd AGM with high audio and visual quality from the broadcast venue. A full rehearsal was also held prior to the AGM to test the equipment and flow of the meeting.

The Board Charter requires that all Directors and the Chairs of the respective Board Committees must attend general meetings to allow shareholders to raise questions and receive meaningful response to questions raised by them. As the Chairman of the Board, Wang, YouDe, could not be present at the broadcast venue of the Company's 63rd virtual AGM due to COVID-19 travel restrictions, Alan Hamzah Sendut, an Independent Non-Executive Director, was nominated by the Board to chair the AGM as the alternate AGM chairperson.

During the Company's 63rd AGM held on 25th May 2022, all Directors and Chairs of the respective Board Committees, the company secretary, external auditor, as well as senior management members such as the CEO, CFO and Chief Commercial Officer, attended the virtual meeting. The CEO gave a presentation to the shareholders entitled "Escalating Our Commitments", which covered market challenges, FY2021 highlights and HRC's plans, moving forward. Questions received from the MSWG, and the Company's responses to them, were read out by the CFO.

The AGM Chairperson moderated the Q&A session and addressed questions received from shareholders, which were submitted through the TIIH Online platform prior to the AGM and the online query box during the AGM. The questions were answered by the Chairman of the Board, the Chairperson of the AGM, the CFO and the CEO. Questions that were not able to be addressed at the AGM due to time constraints were answered and e-mailed to shareholders within 14 days.

The 63rd AGM meeting minutes, including the key matters discussed and the Company's responses to the MSWG's questions, were uploaded to the Company's website within one month from the date of the Company's 63rd AGM. The meeting minutes and responses to questions from the MSWG are accessible at www.hrc.com.my.

The Company's Corporate Governance Report and Corporate Governance Overview Statement was approved by the Board on 29th March 2023.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors (Board) of Hengyuan Refining Company Berhad (Company or HRC) is committed to maintaining a sound internal control and risk management system to ensure the smooth running of the business. It is HRC's aim to manage its risks and to control its business and financial affairs economically, efficiently and effectively so as to be able to deliver profitable business outcomes in a disciplined way, to avoid or mitigate risks that can cause loss, reputational damage or business failure, and to enhance our resilience to external events.

The following statement outlines the nature and scope of HRC's internal control and risk management in 2022.

BOARD'S RESPONSIBILITY

The Board affirms its overall responsibility for HRC's risk management and the internal control system, and for reviewing the system's adequacy and integrity. The Board recognises that this system is designed to manage, rather than eliminate, the risks of not achieving HRC's objectives and adhering to the policies. Due to the inherent limitations, the system can only provide reasonable and not absolute assurance against material misstatement, fraud or loss or the occurrence of unforeseeable circumstances.

The Board Audit Committee (BAC) assists and supports the Board's responsibility of overseeing the suitability, objectivity and independence of the Company's external auditor and internal audit function. The adequacy of the HRC Control Framework and effectiveness of the internal control system has been reviewed and endorsed by the BAC based on the assurance provided by management, the internal and external auditors. Audit issues and actions taken by Management to address the issues tabled by the auditors during the year were deliberated on during the BAC meetings.

The Board Risk Management Committee (BRMC) provides oversight and direction on risk management matters including bribery and corruption risk to ensure prudent risk management over HRC's business and operations. Management has conducted a systematic and comprehensive evaluation of the Key Risk Areas which were deliberated and presented to the BRMC. The implementation of risk controls is monitored, and the results are presented during the quarterly BRMC meetings.

Internal control and risk-related matters which warrant the attention of the Board are recommended by the BAC and BRMC to the Board for its deliberation and approval.

MANAGEMENT'S ROLE

Whilst the Board assumes responsibility for HRC's internal controls and risk management, the Management holds the key role in the implementation of the internal controls and risk management system. Management is accountable for regularly assessing that the systems continue to operate efficiently and effectively.

RISK MANAGEMENT

The global economy continues to be affected by the volatility of the crude oil market caused by geopolitical tensions in particular the events in Ukraine and the slow reopening of the global economy after two (2) years of COVID-19 pandemic.

The Risk & Integrity (R&I) Department oversees the risk management function within HRC. The main objective of risk management is to promote advanced awareness and define boundaries for risk-taking, and to apply fit-for-purpose risk responses in order for HRC to provide a reasonably sufficient, but not an absolute assurance, against material misstatements, fraud or loss. In addition, it allows HRC to operate and achieve its objectives, within an acceptable risk profile.

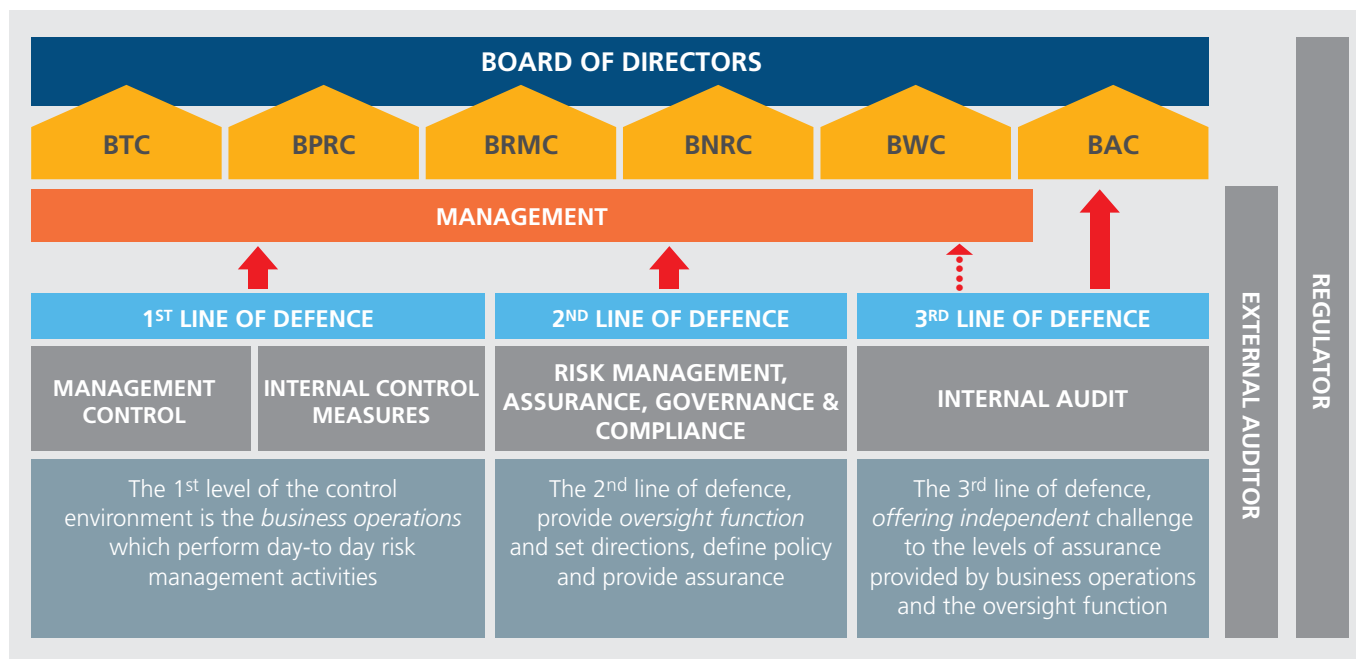
Fit-for-purpose risk responses are primarily intended to:

- Minimise the likelihood of a risk occurring by actively managing the sources of the risk and ensuring competent people are overseeing the risk on a regular basis; and
- Mitigate the impact of a risk should it arise, often through the application of some forms of alert that the risk has materialised, followed by the initiation of a contingency or recovery plan to reduce the potential consequences and also future occurrences.

HRC adopts the best practices from MS ISO 31000:2020 Risk Management to manage the risks of its business and operations. *HRC has an established and structured process for the identification, assessment, treatment, communication, monitoring and continual review of risks and the effectiveness of risk mitigation strategies and controls.*

Statement on Risk Management and Internal Control

THREE LINES OF DEFENCE



Note: The director membership of each Board Committee is shown under the Board of Directors' profile on page 48 to 51 of this Annual Report.

The HRC risk register is segregated into four (4) major components, which are: Operational Risk, Financial & Commercial Risk, Strategic Risk and Legal & Regulatory Risk.

Top 20 corporate risks have been deliberated on a quarterly basis by the senior management before being brought to the BRMC for review and further deliberation. We continue to scan and monitor our operating and external environments to identify and manage emerging risks.

KEY INTERNAL CONTROLS

HRC's internal control system comprises the following key processes:

1. AUTHORITY AND RESPONSIBILITY

- a. Certain responsibilities are delegated to the Board Committees through clearly defined Terms of Reference (TOR) which are reviewed annually.
- b. The Manual of Authorities is reviewed periodically to reflect the authority and authorisation limits of Management in all aspects of HRC's major business operations and regulatory functions.

2. ORGANISATION STRUCTURE AND MANAGEMENT COMMITTEE

- a. An organisational structure, which is aligned to the business and operational requirements, and with clearly defined lines of responsibility, accountability and levels of authority, is in place to assist in implementing HRC's strategies and day-to-day business activities.
- b. The Management Team supports the Chief Executive Officer (CEO) in accomplishing the vision, strategies and objectives set for HRC.
- c. Various functional committees have also been established across the Company to ensure HRC's activities and operations are properly aligned towards achieving its organisational goals and objectives.

3. PLANNING, MONITORING AND REPORTING

- a. An annual planning and budgetary exercise are undertaken by all departments to prepare business plans and budgets for the forthcoming year. These are deliberated on by the BAC to ensure alignment with the strategy as agreed at the latest strategy review. Thereafter, the BAC recommends the updated plans and budget to the Board for approval before its implementation.
- b. HRC's financial performances are reviewed regularly by Management. The financial results and variances (if any) are presented to the Board on a quarterly basis.
- c. The Chief Financial Officer (CFO) is required to provide assurance to the BAC that:
 - appropriate accounting policies have been adopted and applied consistently, the going concern basis applied in the Annual Financial Statements is appropriate, and that prudent judgements and reasonable estimates have been made in accordance with the requirements set out in the Malaysian Financial Reporting Standards (MFRSs) and the International Financial Reporting Standards (IFRSs);
 - adequate processes and controls are in place for effective and efficient financial reporting and disclosure under the requirements of MFRSs, IFRSs, the Companies Act 2016 and Bursa Malaysia Securities Berhad's Main Market Listing Requirements (MMLR); and
 - the Annual Financial Statements and the quarterly Financial Statements give a true and fair view of the financial position and financial performance of the Company and do not contain any material misstatement.
- d. There is a regular and comprehensive flow of information from Management to the Board on all aspects of HRC's operations to facilitate the monitoring of performance against HRC's corporate strategy, business plans and regulatory requirements.

- e. The sustainability strategy is developed by management and reviewed by the Board to ensure its robustness in achieving HRC's objectives. The sustainability strategy was approved by the Board and is disclosed in the 2022 Sustainability Report.

4. POLICIES AND PROCEDURES

Clear, formalised and documented internal policies, standards and procedures are in place to ensure compliance with internal controls and relevant laws and regulations.

A list of identified laws and regulations applicable to HRC is documented and maintained to facilitate compliance. Regular reviews are performed to ensure that documentation remains current and relevant.

Policies and procedures are available on HRC's intranet and are accessible to the employees. Regular reviews are performed to ensure they are updated in line with external and internal development.

5. BUSINESS INTEGRITY MANAGEMENT

With the enforcement of the Corporate Liability provision involving commercial organisations under Section 17A of the Malaysian Anti-Corruption Commission (MACC) Act 2009 since 1 June 2020, HRC continues to support the Government initiatives and strong determination to fight corruption.

HRC is certified under the Anti-Bribery Management Systems, ISO 37001:2016 and shall continue to adhere with the standard's requirements in its day-to-day operations.

The Risk and Integrity Department is tasked to advocate, implement, and ensure HRC business integrity management system works in accordance with its intended purposes.

BRMC provides oversight on the overall implementation of business integrity within HRC. A checklist detailing the Company's current capability against the MACC's Guideline on Adequate Procedures was presented to BRMC in May 2022.

Statement on Risk Management and Internal Control

HRC's business integrity management comprises the following key controls:

a. ANTI-BRIBERY MANAGEMENT SYSTEMS MANUAL

Business integrity is recognised as one of the main pillars of HRC's General Business Principles. All employees are expected to exercise integrity regardless of their department or career level as Integrity is one of the HRC's core values.

The HRC Anti-Bribery Management Systems Manual (ABMS Manual) outlines the procedure, integrity screening and ethical behaviours expected from the employees and business associates to avoid any instances of bribery, corruption or receipt of monies derived from money laundering activities.

The ABMS Manual was approved by the Board who is committed to ensuring that ethical business practices are being adhered to and adequate controls have been put in place by the Company to mitigate the risk of bribery and corruption.

The ABMS Manual covers areas such as:

- i. The contracting and procurement process
- ii. Offering and receiving gifts and hospitality
- iii. Conflicts of interest
- iv. Facilitation payments
- v. Funding social investment, donation and sponsorship
- vi. Political payments and activities
- vii. Recruitment

The ABMS Manual and its contents have been communicated to all employees via memorandum, HRC's intranet and in-house training. The same has also been communicated to all vendors, suppliers, contractors and any third parties that have business dealings with HRC.

Employees and parties having business dealings with HRC have also been requested to sign an integrity pledge to show their commitment towards ABMS Manual and to disclose any confirmed or potential conflict of interest via HRC's annual declaration process. Business associates and senior management are subject to integrity due diligence checks from time to time.

The ABMS Manual and HRC's General Business Principles are accessible to the public on HRC's corporate website.

b. BUSINESS INTEGRITY ACTIVITIES

Various activities were organised to strengthen the culture of business integrity in line with HRC's core values.

In November 2022, the R&I Department organised the annual Business Integrity Week. The programme, called "ICARE for Integrity" was organised to reinforce the core value of HRC. A talk on Individual Liability and Corporate Liability was delivered by the officer from Malaysian Anti-Corruption Commission (MACC). "Integrity Run", a fun programme had been carried out during the annual Business Integrity Week to foster integrity at work.

These activities were organised to reinforce ethical leadership, good governance, accountability and individual integrity.

6. COMPLIANCE MANAGEMENT

The Management team led by the CEO is responsible for ensuring day to day operational compliance within the Company.

HRC's compliance management includes compliance to all relevant laws, regulations, rules and guidelines. It also covers risk-based compliance to the Company's internal policies, procedures, and code of conduct.

In 2022, no major non-compliance was encountered.

7. CODE OF CONDUCT

The Code of Conduct (Code) applies to every employee, officer, and director in HRC as well as contract employees working for HRC. Contractors and consultants who are agents of, or working on behalf of, or in the name of HRC (through outsourcing of services, processes or any business activity), are required to act consistently with the Code when acting on HRC's behalf. Contractors and consultants are also made aware of the Code as it applies to their dealings with HRC employees.

The Code outlines the following:

- Our responsibilities and a guide to ethical decision making.
- The standards of good behaviour that HRC expects from every employee, all contractors and all consultants as well as contract employees.
- That we have the right to expect the same standards of behaviour from our colleagues.
- The system for handling of sensitive information and HRC's Intellectual Property.
- Guidelines to help in keeping our business interactions legal, ethical and professional, ensuring that we protect ourselves from any suspicion of wrongdoing and to safeguard HRC's reputation.

8. INFORMATION AND COMMUNICATIONS TECHNOLOGY

Information and communications technology are extensively deployed in HRC to automate work processes where possible and to efficiently collect and report key business information.

HRC is certified under the Information Security Management System (ISMS), MS ISO/IEC 27001:2013 and shall continue to enhance its information and communication systems to ensure that it can act as an enabler to improve business processes, work productivity and decision making throughout the Company.

9. EMPLOYEES PERFORMANCE MANAGEMENT

HRC selects individuals for employment through a structured recruitment process. The professionalism and competency of employees is continuously enhanced through a structured training and development programme.

A performance management system is in place which measures employee's performance against agreed goals on an annual basis.

10. WHISTLEBLOWING POLICY

HRC has established a Whistleblowing Policy (Policy) which provides an avenue for employees and members of the public to disclose any improper conduct in accordance with the procedures under the Policy.

Under the Policy, a whistleblower will be accorded the protection of identity confidentiality, to the extent reasonably practicable. A whistleblower will also be protected against any adverse or detrimental actions for disclosing improper conduct that has been committed or is about to be committed within HRC, to the extent reasonably practicable, provided that the disclosure is made in good faith. Such protection is accorded even if investigations later reveal that the whistleblower is mistaken as to the facts, rules and procedures involved.

The Policy is available on HRC's corporate website.

11. QUALITY, HEALTH, SECURITY, SAFETY, ENVIRONMENTAL (QHSSE), SUSTAINABILITY, SOCIAL AND GOVERNANCE

HRC upholds its highest commitment to QHSSE, sustainability, social responsibilities and governance practices via the establishment of HRC's General Business Principles and various policies and procedures.

HRC periodically reviews the risks and procedures in place including scenario planning and holds mock exercises and incident simulations to test the readiness of the employees in responding to those incidents.

A comprehensive list of activities and initiatives performed by HRC is highlighted in the HRC Sustainability Report 2022.

Statement on Risk Management and Internal Control

INTERNAL AUDIT

The Board recognises that the Internal Audit (“IA”) function is an integral component of the governance process. IA reports functionally to the Board Audit Committee (“BAC”). The main roles and responsibilities of IA is to provide an independent and objective assurance designed to add value and improve HRC’s operations. IA discharged its role by recommending systematic and disciplined approaches to evaluate and improve the effectiveness of risk management, governance, and internal control processes.

In FY2022, the following reviews were performed and reported to the BAC:

- a. Audit engagements were carried out based on the annual internal audit plan approved by the BAC. IA assessed the audit areas with regard to risk exposures, compliance with approved policies and procedures and relevant laws and regulations. For any gaps identified, IA provided recommendations to Management to improve the effectiveness of controls where applicable.

IA reports including recommendations and Management’s agreed action plans were submitted to the BAC for their deliberation. IA also followed-up on the implementation status of Management’s agreed action plans and thereafter reported the status to the BAC.

- b. Certification/recertification audits were carried out by SIRIM Berhad for ISO 9001:2015 Quality Management System, ISO 14001:2015 Environmental Management Systems, and ISO 45001:2018 Occupational Health and Safety Management System.

The reviews concluded that HRC conformed to the requirements of the management systems.

REVIEW OF THIS STATEMENT

As required by Paragraph 15.23 of the MMLR, the External Auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide (AAPG) 3 issued by the Malaysian Institute of Accountants. AAPG 3 does not require the External Auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Company.

CONCLUSION

The Board has received assurance from the CEO and CFO that HRC’s financial records are properly maintained and that its risk management and internal control system is operating adequately and effectively in addressing the material risks within the Company in its current business environment.

The Board has reviewed the adequacy and effectiveness of the risk management and internal control system of the Company and is of the view that they are sound and provide a reasonable level of confidence, but not absolute assurance, that HRC is not affected by any event that cannot be reasonably foreseen.

In the year under review, the Board is not aware of any significant control failure or weakness that would have resulted in material losses, contingencies or uncertainties requiring separate disclosure in this Annual Report.

Following any economic effects of the geopolitical risks, the Board will continue to review measures initiated by HRC to minimise the potential risk and impact arising from these situations.

This Statement on Risk Management and Internal Control is approved by the Board on 29 March 2023.

AUDIT COMMITTEE REPORT

The Board of Directors (Board) of Hengyuan Refining Company Berhad (HRC or the Company) presents the Audit Committee Report which provides insights into the manner in which the Board Audit Committee discharged its functions in FY2022.

COMPOSITION AND ATTENDANCE

HRC's Board Audit Committee (BAC) comprises four (4) members with a diverse mix of skills, knowledge, experience and perspectives in the areas of accounting, corporate finance, banking, oil and gas industry, risk management, strategy and corporate governance, which enables the BAC to discharge its duties.

The BAC consists solely of Independent Non-Executive Directors (NEDs). All of the Independent NEDs satisfied the test of independence under Bursa Malaysia Securities Berhad's (Bursa Malaysia) Main Market Listing Requirements (MMLR). The BAC meets the requirements of Paragraph 15.09(1)(a) and (b), 15.09(2), and 15.10 of the MMLR, and Practice 9.4 under Principle B of the Malaysian Code on Corporate Governance (MCCG).

The BAC Chairman, Alan Hamzah Sendut, is a Chartered Accountant of the Institute of Chartered Accountants in England and Wales (1986) and Malaysian Institute of Accountants (1987). He is also a Chartered Audit Committee Director, Institute of Internal Auditors Malaysia (2018). Accordingly, HRC complies with Paragraph 15.09(1)(c)(i) of MMLR.

The members of the BAC and their respective designation and directorship are as follows:-

| Designation | Name | Directorship |
|-------------|-----------------------------------|------------------------------------|
| Chairman | Alan Hamzah Sendut | Independent Non-Executive Director |
| Member | Fauziah Hisham | Independent Non-Executive Director |
| Member | Surinderdeep Singh Mohindar Singh | Independent Non-Executive Director |
| Member | Tai Sook Yee | Independent Non-Executive Director |

HRC has also applied Practice 9.1 of MCCG where the positions of Chairman of the Board and Chairman of the BAC are held by different persons, as well as adopted Practice 9.2 of MCCG where none of the BAC members is a former partner of the external audit firm of the Company.

The Board reviews the terms of office of the BAC members and assesses the performance of the BAC and its members through an annual Board Committee effectiveness evaluation. The Board indicated, through the Board Effectiveness Assessment FY2022, that it was satisfied that the BAC and its members discharged their functions, duties, and responsibilities in accordance with the BAC's Terms of Reference (TOR), which is accessible for reference on the Company's website at: www.hrc.com.my.

MEETINGS

The BAC held five (5) meetings during the financial year ended 31 December 2022. The details of the attendance record for each BAC member are as follows:-

| Name | Attendance |
|-----------------------------------|------------|
| Alan Hamzah Sendut | 5/5 |
| Fauziah Hisham | 5/5 |
| Surinderdeep Singh Mohindar Singh | 5/5 |
| Tai Sook Yee * | 1/1 |

* Ms Tai Sook Yee was invited to attend the BAC meeting on 28 November 2022 despite her appointment as a BAC member not taking place until 29 November 2022.

The Chief Executive Officer (CEO) and Chief Financial Officer (CFO) were invited to all BAC meetings to facilitate direct communication, as well as to provide clarification on audit issues and the Company's operations. The Chief Internal Auditor (CIA) attended all BAC meetings to table the respective Internal Audit (IA) reports. The relevant responsible Management members were invited to brief the BAC on specific issues arising from the audit reports or on any matters of interest.

As part of the BAC's efforts to ensure the reliability of HRC's quarterly financial statements and compliance with applicable Financial Reporting Standards, PricewaterhouseCoopers PLT (External Auditors or PwC) were engaged to conduct a limited review of selected HRC's quarterly financial statements before these were presented to the BAC for review and recommendation for the Board's approval for release to Bursa Malaysia.

PwC briefed the BAC on the outcome of the statutory audit for the financial year ended 31 December 2022, significant auditing and accounting matters, internal control recommendations, and developments in relevant laws and regulations.

The BAC held its independent meetings with PwC on 31 March 2022 and 25 February 2023 without the presence of Management to discuss and provide feedback on the Company's audit for the financial years ended 31 December 2021 and 2022 respectively, the level of cooperation received from Management, any specific audit concerns, and the quality of financial reporting.

Audit Committee Report

Minutes of each BAC meeting was recorded and tabled for confirmation at the next following BAC meeting and subsequently presented to the Board for notation. In 2022, the BAC Chair presented to the Board the BAC's recommendations to approve the annual and quarterly financial statements.

The BAC Chair also conveyed to the Board, matters of significant concern as and when raised by the External Auditors or Internal Auditors in the respective quarterly presentations.

ACTIVITIES OF THE BAC

The BAC holds the overall responsibility for monitoring HRC's management of financial risk processes, accounting and financial reporting practices and ensuring the adequacy and effectiveness of internal controls.

The BAC's key activities for the financial year ended 31 December 2022 comprised the following:

1. Financial Reporting

In overseeing HRC's financial reporting, the BAC reviewed the quarterly financial statements for the fourth quarter of 2021 and the annual audited financial statements for 2021 at its meetings on 25 February 2022 and 31 March 2022 respectively.

The quarterly financial statements for the first, second and third quarters of 2022, which were prepared in compliance with the Malaysian Financial Reporting Standard (MFRS) 134 Interim Financial Reporting, International Accounting Standard (IAS) 34 Interim Financial Reporting and Paragraph 9.22, including Appendix 9B of the MMLR, were reviewed at the BAC meetings on 27 May 2022, 29 August 2022, and 28 November 2022 respectively.

On 25 February 2023 and 27 March 2023, the BAC reviewed the quarterly financial statements for the fourth quarter of 2022 and the annual audited financial statements for 2022 respectively.

The BAC's recommendations were presented for approvals at the subsequent Board meetings.

2. External Audit

The BAC reviewed PwC's audit plan and scope for the financial year ended 2022 and the payment of auditors' statutory and non-audit fees.

Results of PwC's annual audit and audit findings together with recommendations and Management's response were reviewed by the BAC. Matters included in the Management representation letter were also reviewed by the BAC.

In addition to the review of the annual audit of HRC's financial statements, the External Auditors were engaged to conduct reviews of selected quarterly financial results during 2022 in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" which were reported and reviewed by the BAC.

On 27 March 2023, the CIA reported that non-audit fees incurred in FY2022 amounted to RM76,600, constituting approximately 14 per cent of the total remuneration of RM540,880 to the External Auditors.

The BAC had assessed and was satisfied with the competency, audit quality and independence of PwC, whose appointment was approved by shareholders of the Company at HRC's 63rd Annual General Meeting. The assessment was conducted based on the criteria stipulated in HRC's External Auditor Assessment Policy.

3. Internal Audit

The IA team conducted the audit work as per the 2022 Annual Audit Plan approved by the BAC on 23 November 2021.

In year 2022, the internal audit function of HRC is monitored by the BAC and consists of two segments:

- (1) An Internal Audit Department (IAD), which acts as an independent evaluating body to assist and provide assurance to the Board, the BAC and Management of HRC. The IAD is headed by the CIA who reports functionally to the Chair of the BAC and administratively to the CEO. There is one (1) Internal Auditor who reports to the CIA. The internal auditors have sufficient mix of knowledge, skills and competencies to execute the audit plan; and
- (2) HRC's Site Internal Assurance (SIA), which comprises 33 trained and/or ISO certified site internal auditors from various departments of HRC. The SIA carries out the site internal audits and process effectiveness of HRC and reports to the Quality & Health, Security, Safety and Environment Manager. All SIA internal audit reports are reviewed by the CIA before finalisation.

IAD activities are reported to the BAC on a quarterly basis, while SIA overall activities are presented to BAC annually, at the end of each financial year. IAD also followed-up on the implementation status of Management's agreed action plans and thereafter reported the status to the BAC.

Urgent issues arising from the internal audit processes are highlighted to the Management promptly.

The total costs incurred by the internal audit function of the Company for the financial year 2022 was RM405,038.

4. HRC Assurance Plan 2022

The BAC oversaw HRC's approved internal audit and assurance plan for the year 2022 which consisted of seven (7) regulatory and statutory audits and fourteen (14) internal audits to ensure business processes and regulatory compliance. These are:

| Name of Audit/Review |
|---|
| Regulatory/Statutory Audits |
| Financial Audit and Interim Financial Reviews by External Auditor |
| ISO 9001 Surveillance Audit |
| ISO 14001 Surveillance Audit |
| ISO 45001 Surveillance Audit |
| ISO 17025 Recertification Audit |
| ISO 27001 Recertification Audit |
| ISO 37001 Recertification Audit |
| Internal Audits |
| Procurement Management (P2P) |
| Loading Gantry Management |
| Inventory & Warehouse Management |
| Project Management System Review (for Turnaround) |
| Employee Development & Competency Management |
| Emergency Equipment Management |
| Process Safety Management |
| Regulatory Compliance Review |
| ISO 9001 |
| ISO 14001 |
| ISO 45001 |
| ISO 17025 |
| ISO 27001 |
| ISO 37001 |

The progress of the Internal Audit and Assurance Plan 2022 and its audits were reported to the Board on a quarterly basis.

During the course of the year, the BAC also approved two (2) special reviews on significant business processes.

Where appropriate, the BAC directed Management to rectify and improve internal control processes based on the auditors' recommendations and suggestions for improvement based on severity of findings and ratings of audits.

5. Related Party Transactions

In the year 2022, the BAC reviewed the Company's Circular to Shareholders in relation to the proposed renewal of shareholders' mandate for recurrent related party transactions (RRPT) for the period from 25 May 2022 to the 64th Annual General Meeting of the Company.

In addition, the BAC oversaw the Company's compliance with MMLR in respect of related party transactions and RRPT and ensured that the necessary announcements were made to Bursa Malaysia.

6. Others

Other matters discussed by the BAC during its meetings include:

- (a) The solvency outlook loan position of the Company and dividend proposal of the Company in the next 12 months;
- (b) Quarterly updates on the Recurrent RPT (RRPTs) received from the Management. The BAC also ensured that all RRPTs were within the thresholds of the shareholders' mandate approved at the 63rd AGM in 2022;
- (c) The review of refinancing plan;
- (d) The review of Credit Policy and Credit Committee terms of references;
- (e) The review of the audit representation letter;
- (f) The review of the Statement on Risk Management and Internal Control and the BAC Report disclosure for the respective financial year for the purpose of inclusion in the Company's Annual Report;
- (g) To review of the Technical Consultancy and Project Support for Euro 4M project commissioning;
- (h) To review of the tenancy agreement with HISB and the revised secondment agreement for CEO and CFO and the charges for utilising MHIL multi trade finance facilities;
- (i) The review of reports on annual margin and FX hedging activities and outcome;
- (j) The review of 2023 HRC Business Plan, i.e. Purpose, Vision, Mission, Values, Business Strategy, Financial, Headcount and 2023 scorecard;
- (k) To review of the ESG strategy, adoption of TCFD framework & way forward on sustainability financing; and
- (l) To review of the PwC audit fees proposal for FY2022.



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FINANCIAL REPORTS & OTHER INFORMATION



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