

HENGYUAN REFINING COMPANY BERHAD (“HRC” OR THE “COMPANY”)

PROPOSED RENOUNCEABLE RIGHTS ISSUE OF NEW ORDINARY SHARES IN HRC TOGETHER WITH FREE DETACHABLE WARRANTS

1. INTRODUCTION

On behalf of the Board of Directors of the Company (“**Board**”), AmInvestment Bank Berhad (“**AmInvestment Bank**”) wishes to announce that the Company proposes to undertake a renounceable rights issue of up to 300.0 million new ordinary shares in the Company (“**HRC Share(s)**” or “**Share(s)**”) (“**Rights Shares**”) together with up to 150.0 million free detachable warrants (“**Warrants**”) on the basis of one (1) Rights Share for every one (1) existing HRC Share held and one (1) Warrant for every two (2) Rights Shares subscribed for at an issue price and on an entitlement date to be determined and announced at a later date (“**Entitlement Date**”) (“**Proposed Rights Issue with Warrants**”).

Further details of the Proposed Rights Issue with Warrants are set out in the ensuing sections of this Announcement.

2. DETAILS OF THE PROPOSED RIGHTS ISSUE WITH WARRANTS

As at 30 June 2025, being the latest practicable date prior to the date of this Announcement (“**LPD**”), the Company has an issued share capital of RM300.0 million comprising 300.0 million Shares. The Company does not have any convertible securities in issue and treasury shares.

The Proposed Rights Issue with Warrants entails the issuance of up to 300.0 million Rights Shares at an issue price to be determined and announced at a later date together with up to 150.0 million Warrants, on the basis of one (1) Rights Share for every one (1) existing HRC Share held and one (1) Warrant for every two (2) Rights Shares subscribed by the shareholders of the Company whose names appear in the Record of Depositors of the Company as at the close of business on the Entitlement Date (“**Entitled Shareholders**”). The Warrants are attached to the Rights Shares and will only be issued to the Entitled Shareholders and/or their renouncee(s) who subscribe for the Rights Shares at no charge.

The basis of the Proposed Rights Issue with Warrants was arrived at after taking into consideration, among others, the following:

- (i) minimum level of funds which the Company intends to raise amounting to RM155.0 million that is to be channelled towards the purposes as set out in Section 2.6 of this Announcement; and
- (ii) Paragraph 6.50 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) (“**Listing Requirements**”) which states that a listed issuer must ensure that the number of new shares which will arise from the exercise or conversion of all outstanding convertible securities, does not exceed 50% of the total number of issued shares of the listed issuer (excluding treasury shares and before the exercise of the convertible securities) at all times.

The Rights Shares and Warrants will be provisionally allotted and issued to the Entitled Shareholders. The Entitlement Date shall be determined by the Board after obtaining all approvals for the Proposed Rights Issue with Warrants.

Each Warrant will entitle its holder to subscribe for one (1) new HRC Share at a pre-determined price (to be determined later) over the tenure of the Warrants. The Warrants will immediately be detached from the Rights Shares upon issuance and will be traded separately on Bursa Securities. The Warrants will be issued in registered form and constituted by a deed poll to be executed by the Company ("**Deed Poll**"), as may be supplemented from time to time. The indicative salient terms of the Warrants are set out in Section 2.5 of this Announcement.

The Proposed Rights Issue with Warrants is renounceable in full or in part. Accordingly, the Entitled Shareholders can subscribe for and/or renounce their entitlements under the Proposed Rights Issue with Warrants in full or in part. However, the Rights Shares and the Warrants cannot be renounced separately. As such, the Entitled Shareholders who renounce all their entitlements for the Rights Shares shall be deemed to have renounced all the accompanying entitlements to the Warrants to be issued together with such Rights Shares. If the Entitled Shareholders accept only part of their entitlements for the Rights Shares, they shall be entitled to the Warrants in proportion to their acceptance of their entitlements for the Rights Shares.

The Rights Shares, together with the accompanying Warrants, which are not taken up or validly taken up ("**Excess Rights Shares**"), shall be made available for excess applications by the other Entitled Shareholders and/or their renounee(s). The Board intends to allocate the Excess Rights Shares, if any, in a fair and equitable manner on a basis to be determined by the Board.

Fractional entitlements arising from the Proposed Rights Issue with Warrants, if any, shall be disregarded and/or dealt with by the Board in such manner as the Board in its absolute discretion deems fit or expedient and in the best interest of the Company.

2.1 Basis and justification of determining the issue price of the Rights Shares and the exercise price of the Warrants

(i) Issue price of the Rights Shares

The issue price of the Rights Shares will be determined by the Board and announced by the Company at a later date before the announcement of the Entitlement Date ("**Price-Fixing Date**"), after taking into consideration, among others, the following:

- (a) the then prevailing market conditions and market prices of HRC Shares preceding the Price-Fixing Date;
- (b) the minimum amount of proceeds to be raised from the Proposed Rights Issue with Warrants; and
- (c) the theoretical ex-rights price ("**TERP**") of HRC Shares based on the five (5)-day volume weighted average price ("**VWAP**") of HRC Shares immediately preceding the Price-Fixing Date.

The Board intends to fix the issue price of the Rights Shares such that the issue price of the Rights Shares shall be at a discount of between 20.0% and 50.0% to the TERP of HRC Shares immediately preceding the Price-Fixing Date (rounded to the nearest whole sen). The discount is intended to provide the Entitled Shareholders with an attractive opportunity to increase their equity participation in the Company on a pro rata basis at a discount to the prevailing market price of HRC Shares and to reward the Entitled Shareholders for their continuous support of the Company.

For illustrative purposes only and taking into account the five (5)-day VWAP of HRC Shares up to and including the LPD of RM1.8184, the illustrative issue price for the Rights Shares for the purpose of this Announcement is assumed to be RM1.00 per Rights Share, representing a discount of approximately 29.04% to the TERP of HRC Shares of RM1.4092.

(ii) Exercise price of the Warrants

The exercise price of the Warrant will also be determined by the Board and announced by the Company on the Price-Fixing Date, after taking into consideration, among others, the following:

- (a) the TERP of HRC Shares based on the five (5)-day VWAP of HRC Shares immediately preceding the Price-Fixing Date; and
- (b) historical market prices of HRC Shares.

The exercise price of the Warrants is expected to be fixed at the TERP of HRC Shares based on the five (5)-day VWAP of HRC Shares immediately preceding the Price-Fixing Date (rounded to the nearest whole sen) or as the Board deems fit.

For illustrative purposes only, the illustrative exercise price for the Warrants for the purpose of this Announcement is assumed at RM1.41 per Warrant, which is the TERP of HRC Shares based on the five (5)-day VWAP of HRC Shares up to and including the LPD of RM1.8184 and after rounding to the nearest whole sen.

2.2 Ranking of the Rights Shares and the new HRC Shares to be issued arising from the exercise of the Warrants (“Exercised Shares”)

(i) Rights Shares

The Rights Shares will, upon allotment and issuance, rank equally in all respects with the existing HRC Shares, save and except that the Rights Shares will not be entitled to any dividends, rights, allotments and/or other forms of distributions which may be declared, made or paid, the entitlement date of which precedes the date of allotment and issuance of the Rights Shares.

(ii) Exercised Shares

The Exercised Shares will, upon allotment and issuance (following full payment of the exercise price of the Warrants), rank equally in all respects with the existing HRC Shares, save and except that the Exercised Shares will not be entitled to any dividends, rights, allotments and/or other forms of distributions which may be declared, made or paid, the entitlement date of which precedes the date of allotment and issuance of the Exercised Shares.

2.3 Listing and quotation of the Rights Shares, Warrants and Exercised Shares

An application will be made to Bursa Securities for the admission of the Warrants to the Official List of Bursa Securities, as well as the listing and quotation of the Rights Shares, Warrants and the Exercised Shares on the Main Market of Bursa Securities.

The Company, whilst issuing the Warrants, shall observe the provision that the listing of Warrants must have at least 100 Warrants holders holding not less than one (1) board lot of Warrants each pursuant to Paragraph 6.51 of the Listing Requirements.

2.4 Minimum subscription level and undertaking

The Board has determined to undertake the Proposed Rights Issue with Warrants on a minimum subscription level basis to raise minimum gross proceeds of RM155.00 million (“**Minimum Subscription Level**”) which is to be channelled towards the purposes as set out in Section 2.6 of this Announcement.

In order to achieve the Minimum Subscription Level, the Company has procured a written irrevocable undertaking dated 14 July 2025 from its major shareholder, namely Malaysia Hengyuan International Limited (“**MHIL**”), to undertake to apply and subscribe in full for its Rights Shares entitlement and additional Rights Shares not taken up by the other Entitled Shareholders and/or their renouncee(s) by way of excess Rights Shares application (where applicable), to the extent such that the aggregate subscription proceeds of the Rights Shares received by the Company arising from the subscription by all Entitled Shareholders and/or their renouncee(s) (including MHIL) amount to no less than RM155.0 million (“**Undertaking**”) (“**Undertaking Letter**”). For the avoidance of doubt, the subscription of Rights Shares (including Excess Rights Shares, where applicable) by MHIL pursuant to its Undertaking is for an amount of up to RM155.0 million.

For illustrative purposes only, assuming only MHIL subscribes the Rights Shares based on the Undertaking and none of the other Entitled Shareholders and/or their renouncee(s) subscribe for their respective entitlements under the Proposed Rights Issue with Warrants (“**Minimum Scenario**”) and at the illustrative issue price of RM1.00 for each Rights Share, the pro forma shareholding of MHIL in the Company based on the Undertaking is as follows:

Name	Shareholding as at the LPD		No. of Rights Shares to be subscribed pursuant to the Undertaking			No. of Warrants entitled	Shareholding after the subscription of the Rights Shares pursuant to the Undertaking	
	No. of Shares	(1)%	Entitlement	Excess	Total		No. of Shares	(2)%
MHIL	153,069,002	51.02	153,069,002	1,930,998	155,000,000	77,500,000	308,069,002	67.71

Notes:

(1) Based on the existing number of 300,000,000 HRC Shares as at the LPD.

(2) Based on the enlarged number of 455,000,000 HRC Shares under the Minimum Scenario.

However, should the final issue price be higher or lower than RM1.00 per Right Share as illustrated above, the total number of Rights Shares and Excess Rights Shares to be subscribed by MHIL will be adjusted correspondingly such that the Company will raise minimum gross proceeds of RM155.0 million from the Proposed Rights Issue with Warrants. In this regard, the resultant shareholding of MHIL in the Company upon completion of the Proposed Rights Issue with Warrants will also be adjusted accordingly.

Further, pursuant to the Undertaking, MHIL has also irrevocably undertaken not to sell or in any way dispose of or transfer its existing interest in the Company or any part thereof during the period commencing from the date of the Undertaking Letter up to the Entitlement Date.

Given that the Minimum Subscription Level will be fully satisfied via the Undertaking, there will be no underwriting arrangement for the remaining portion of the Rights Shares for which no undertaking has been obtained.

Pursuant to Paragraph 6.18(4) of the Listing Requirements, where the Minimum Subscription Level is not achieved, the implementation of the Proposed Rights Issue with Warrants must be terminated and all consideration received must be immediately returned to all subscribers. As such, if the Minimum Subscription Level is not achieved for any reason whatsoever, the Company will not proceed with the implementation of the Proposed Rights Issue with Warrants. All subscription monies received pursuant to the Proposed Rights Issue with Warrants will be returned without interest as soon as practicable to the Entitled Shareholders and/or their renouncee(s) who have subscribed for the Rights Shares.

The Undertaking is not expected to result in any breach in the public shareholding spread requirement by the Company under Paragraph 8.02(1) of the Listing Requirements upon completion of the Proposed Rights Issue with Warrants, which provides that a listed issuer must ensure that at least 25% of its total listed shares (excluding treasury shares) are in the hands of public shareholders. Given that MHIL's shareholding in the Company stands at 51.02% as at the LPD, the Undertaking will also not give rise to any mandatory take-over offer obligation under the Malaysian Code on Take-Overs and Mergers 2016 and the Rules on Take-Overs, Mergers and Compulsory Acquisition immediately after the completion of the Proposed Rights Issue with Warrants.

2.5 Indicative salient terms of the Warrants

The indicative salient terms of the Warrants attached to the Rights Shares are as follows:

Issuer	:	HRC
Issue size	:	Up to 150.0 million Warrants
Detachability	:	The Warrants are immediately detachable upon issuance and allotment of the Rights Shares. The Warrants will be traded separately
Form and denomination	:	The Warrants will be issued in registered form and constituted by a Deed Poll
Tenure	:	Five (5) years commencing from and inclusive of the date of issuance of the Warrants (" Issue Date ")
Exercise Period	:	The Warrants may be exercised at any time commencing on and including the Issue Date and ending at 5:00 p.m. on the market day immediately preceding the 5th anniversary of the Issue Date. If such day falls on a day which is not a market day, then it shall be the market day immediately preceding the said non-market day. Any Warrants not exercised during the Exercise Period will thereafter lapse and cease to be valid
Exercise Price	:	The exercise price of the Warrants will be determined by the Board on the Price-Fixing Date and is expected to be fixed at the TERP of HRC Shares based on the five (5)-day VWAP of HRC Shares immediately preceding the Price-Fixing Date (rounded to the nearest whole sen) or as the Board deems fit
Exercise rights	:	Each Warrant entitles the registered holder of the Warrant (" Warrant Holder ") to subscribe for one (1) new HRC Share at the Exercise Price at any time during the Exercise Period, subject to adjustments in accordance with the provisions of the Deed Poll

- Mode of exercise : The Warrant Holders must complete and sign the subscription form (which shall be irrevocable) and deliver the duly completed, signed and stamped subscription form together with payment of the Exercise Price to the Company's share registrar in accordance with the terms and provisions of the Deed Poll
- Adjustments in the Exercise Price and/or number of Warrants : The Exercise Price and/or number of unexercised Warrants in issue may be subject to adjustments by the Board in consultation with an approved adviser appointed by the Company or the auditors in the event of any alteration in the share capital of the Company at any time during the tenure of the Warrants, whether by way of, among others, rights issue, bonus issue, consolidation of shares or subdivision of shares, in accordance with the provisions of the Deed Poll
- Ranking of new HRC Shares to be issued arising from the exercise of the Warrants : The Exercised Shares will, upon allotment and issuance (following full payment of the exercise price of the Warrants), rank equally in all respects with the existing HRC Shares, save and except that the Exercised Shares will not be entitled to any dividends, rights, allotments and/or other forms of distributions which may be declared, made or paid, the entitlement date of which precedes the date of allotment and issuance of the Exercised Shares
- Rights of the Warrant Holders : The Warrant Holders will not be entitled to any voting rights in any general meeting of the Company or to participate in any form of distribution and/or offer of securities in the Company until and unless such Warrant Holders exercise their Warrants into new HRC Shares in accordance with the provisions of the Deed Poll and such new HRC Shares have been allotted and issued to such holders
- Rights in the event of winding-up, compromise or arrangement : If a resolution is passed for a members' voluntary winding-up of the Company or where there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction or the amalgamation of the Company with one or more companies, then:
- (i) for the purpose of such winding-up, compromise or arrangement (other than a consolidation, amalgamation or merger in which the Company is the continuing corporation) to which the Warrant Holders, or some persons designated by them for such purposes by a special resolution, will be a party, the terms of such winding-up, compromise or arrangement shall be binding on all the Warrant Holders; or
 - (ii) every Warrant Holder shall be entitled (upon and subject to the conditions in the Deed Poll) at any time within six (6) weeks after the passing of such resolution for a members' voluntary winding-up of the Company or six (6) weeks after the granting of the court order approving the compromise or arrangement (other than a consolidation, amalgamation or merger in which the Company is the continuing corporation), by the irrevocable surrender of his/its Warrants to the Company, elect to be treated as if he had immediately prior to the commencement of such winding up, compromise or arrangement exercised the exercise rights represented by such Warrants to the extent specified in the subscription form(s) and be entitled to receive out of the assets of the Company which would be available in liquidation as if he had on such date been the holder of the Shares to which he would have become entitled pursuant to such exercise and the liquidator of the Company shall give effect to such election

accordingly. Upon the expiry of the above six (6) weeks, all exercise rights of the Warrants shall lapse and cease to be valid for any purpose

Modification of rights of the Warrant holders : The Company may, from time to time, without the consent or sanction of the Warrant Holders but in accordance with the provisions of the Deed Poll, modify the Deed Poll (including the terms and conditions of the Warrants, as well as the form and content of the Warrant certificate), if such modification made does not materially prejudice the interest of the Warrant Holders or is made to correct a manifest error or to comply with prevailing laws of Malaysia, rules of Bursa Malaysia Depository Sdn Bhd, Securities Industry (Central Depositories) Act 1991 and/or the Listing Requirements.

Subject to the above and the approval of any relevant authority, any modification, alteration or abrogation of the covenants or provisions contained in the Deed Poll (including the form and content of the Warrant certificate) proposed or agreed to by the Company must be sanctioned by special resolution of the holders of the Warrants and comply with the requirements of the Deed Poll

Transferability : The Warrants shall be transferable in accordance with provisions of the Deed Poll subject always to the prevailing provisions of the Securities Industry (Central Depositories) Act 1991 and the rules of Bursa Malaysia Depository Sdn Bhd

Board lot : For the purpose of trading on Bursa Securities, a board lot of Warrants shall be 100 Warrants carrying the right to subscribe for 100 new HRC Shares at any time during the Exercise Period, or such other denomination as may be varied from time to time by Bursa Securities and/or any relevant authorities

Listing status : The Warrants will be listed and quoted on the Main Market of Bursa Securities

Governing law : The Warrants and the Deed Poll shall be governed by the laws and regulations of Malaysia

2.6 Use of proceeds

Based on the indicative issue price of RM1.00 per Rights Share, the proceeds to be raised from the Proposed Rights Issue with Warrants are intended to be used in the following manner:

Description of use of proceeds	Notes	Minimum Scenario		Maximum Scenario (as defined below)		Timeframe for utilisation*
		(RM'000)	(%)	(RM'000)	(%)	
General working capital	(i)	153,500	99.03	298,500	99.50	Within 12 months
Estimated expenses in relation to the Proposed Rights Issue with Warrants	(ii)	1,500	0.97	1,500	0.50	Within two (2) months
Total estimated proceeds		155,000	100.00	300,000	100.00	

Notes:

* From the date of completion of the Proposed Rights Issue with Warrants.

- (i) The Company is principally engaged in refining and manufacturing of petroleum products. This entails refining crude oil into various cracked products such as liquefied petroleum gas (“LPG”), petrol (“mogas”), jet fuel (Jet A1), diesel (gasoil), fuel oil components, sulphur and chemical feedstocks (such as light naphtha and propylene). Hence, feedstocks (particularly crude oil) are the main raw materials used in the Company’s business representing close to 99% of its cost of sales. For information, the Company has a licensed capacity to deliver up to 156,000 barrels per day of cracked products and its existing plants can produce up to 135,000 barrels per day. In 2024, the Company produced a total of 39.8 million barrels of refined products using 36.8 million barrels of crude oil with the price of crude oil (Brent) ranged between USD70 to USD90 per barrel.

In this regard, after defraying the expenses in relation to the Proposed Rights Issue with Warrants, the Company intends to use the proceeds raised from the Proposed Rights Issue with Warrants to strengthen the Company’s existing working capital position by USD36.44 million[#] (equivalent to approximately RM153.50 million) (under the Minimum Scenario) and USD70.86 million[#] (equivalent to approximately RM298.50 million) (under the Maximum Scenario), which will be used to finance the purchase of an additional 468,189 barrels and 910,453 barrels of crude oil respectively at an assumed crude oil price of USD77.83 per barrel (being the average crude oil (Brent) price for the financial year ended 31 December (“FYE”) 2024).

[#] Based on Bank Negara Malaysia’s (“BNM”) exchange rate of USD1:RM4.2125 being the middle rate published on BNM’s website as at the LPD.

- (ii) The expenses in relation to the Proposed Rights Issue with Warrants are estimated to be about RM1.50 million, the details of which are as follows:

Purpose	RM’000
Estimated professional fees	1,275
Estimated fees payable to authorities	119
Estimated expenses for convening extraordinary general meeting (“EGM”), printing and advertising expenses as well as other incidental expenses relating to the Proposed Rights Issue with Warrants	106
Total	<u>1,500</u>

Any surplus or shortfall in the funds allocated for expenses relating to the Proposed Rights Issue with Warrants against the actual expenses incurred will be adjusted against the amount allocated for general working capital purposes, i.e. for the purchase of additional barrels of crude oil.

The total proceeds to be raised from the Proposed Rights Issue with Warrants will depend on the actual subscription and the final issue price for the Proposed Rights Issue with Warrants. Any difference in the actual total proceeds raised versus the above illustrative amount of proceeds to be raised will be deducted from or used as part of the Company’s general working capital requirements. In any event, as explained above, the Proposed Rights Issue with Warrants will raise minimum gross proceeds of RM155.0 million pursuant to the Minimum Subscription Level.

The exact quantum of proceeds that may be raised by the Company from the exercise of the Warrants would depend on the exercise price, the actual subscription of the Proposed Rights Issue with Warrants and the actual number of Warrants exercised during the tenure of the Warrants. The proceeds from the exercise of the Warrants will be received on an “as and when basis” over the tenure of the Warrants.

Based on the illustrative exercise price of the Warrants of RM1.41, the full exercise of the Warrants will raise approximately RM109.28 million under the Minimum Scenario, and RM211.50 million if all the Entitled Shareholders and/or their renouncee(s) subscribe in full for their respective entitlements under the Proposed Rights Issue with Warrants (“**Maximum Scenario**”). Any proceeds raised from the exercise of the Warrants in the future shall be used to fund the future working capital requirements of the Company, which may include purchase of crude oil and refining additives as well as defraying other manufacturing and operating expenses (such as utilities charges, plants maintenance and service charges as well as staff related expenses). The exact details of the use of such proceeds, including the breakdown of the utilisation cannot be determined at this juncture.

Pending the use of proceeds to be raised from the Proposed Rights Issue of Warrants for the purposes as set out above, such proceeds will be placed in deposits with licensed bank(s)/ financial institution(s) and/or short-term money market instrument(s), as the Board may deem fit. Any profit derived from such deposit(s) and/or any gain arising from such market instrument(s) will be used to fund the working capital requirements of the Company.

3. RATIONALE FOR THE PROPOSED RIGHTS ISSUE WITH WARRANTS

After due consideration of the various funding options available to the Company as well as the Company’s capital structure, the Board is of the opinion that the Proposed Rights Issue with Warrants is the most appropriate avenue for the Company to raise funds, based on the following rationale:

- (i) it enables the Company to raise funds without having to incur interest costs or service principal repayments, unlike conventional bank borrowings or the issuance of debt securities. This will allow the Company to conserve its cash reserves and preserve its cash flows for its working capital and operational needs, particularly in light of the Company’s ongoing refinery optimisation and maintenance plans;
- (ii) it involves the issuance of new HRC Shares without diluting the existing shareholders’ percentage shareholding in the Company provided that they subscribe in full to their respective entitlements under the Proposed Rights Issue with Warrants;
- (iii) it provides the Entitled Shareholders with an opportunity to participate further in the Company’s recovery and future growth by subscribing to the Rights Shares at a discount to the TERP of HRC Shares; and
- (iv) it will increase the total number of HRC Shares in circulation, thereby strengthening the Company’s capital base. This enlarged equity base is expected to improve the Company’s gearing and overall financial position, while potentially enhancing the liquidity and marketability of HRC Shares on the Main Market of Bursa Securities.

In addition, the Warrants, which are issued at no additional cost together with the Rights Shares, serve as a form of reward to the Entitled Shareholders. These Warrants grant the holders an option to further increase their equity participation in the Company by exercising their Warrants at its exercise price during the tenure of the Warrants. In addition, the issuance of the Warrants also provides an additional incentive for the Entitled Shareholders to participate in the Proposed Rights Issue with Warrants through the subscription of the Rights Shares. It will also enable the Company to raise further equity funds upon any future exercise of the Warrants, which will further strengthen its capital base. Additionally, as the Warrants will be listed and traded separately from the HRC Shares, this will also provide the Entitled Shareholders with an avenue to monetise the Warrants should they choose to do so.

The Board has also considered the following factors before embarking on the Proposed Rights Issue with Warrants:

(a) Steps taken/to be taken to address the Company's financial concerns

In the past three (3) financial years since 2022, the financial performance of the Company has been significantly affected by fluctuating global market prices for crude oil and refined petroleum products. These fluctuations were further exacerbated by the impact of the COVID-19 pandemic (particularly in 2021 and early 2022), global geopolitical tensions, and crude oil production output cuts by the Organisation of the Petroleum Exporting Countries (OPEC) and its allies (collectively referred to as "OPEC+"). The global geopolitical tensions included the protracted Russia-Ukraine conflict since early 2022, heightened instability across the broader Middle East region (notably the Red Sea shipping crisis that forced numerous vessels to reroute around Southern Africa), the tightening of international sanctions on Russia and various other global economic uncertainties, had significantly disrupted crude oil supply chains up until early 2024.

Beyond these external market forces, the Company's financial performance was also impacted by internal operational factors, including several plant production downtimes as follows:

- scheduled maintenance conducted from December 2022 to early 2023 in response to the energy supply disruption in July 2022, which affected multiple areas in Peninsular Malaysia;
- major turnaround exercise carried out in July and August 2023, which necessitated a full temporary shutdown of the refinery plant to allow for a comprehensive maintenance, inspections, repairs and upgrades to the production units and equipment; and
- unplanned downtime in June 2024 due to a leakage at the carbon monoxide boiler of the long residue catalytic cracking unit (LRCCU), requiring immediate rectification.

Furthermore, the Company's financial results were also materially impacted by losses arising from the long-hedging position established in prior years. For information, the Company had implemented long-term hedging strategies through refining margin swaps contracts, aimed at mitigating exposure to fluctuations in refining margin (i.e. differences between purchase price of crude oil and selling price of refined petroleum products). These hedging strategies and positions taken by the Company were effective and protected the Company's profitability since FYE 2018 and during the COVID-19 pandemic until the conflict began between Russia and Ukraine. Following the outbreak of the Russia-Ukraine war, these hedging positions – originally designed to protect the Company's profitability – were disrupted by the sudden and unfavourable shift in market conditions, undermining the effectiveness of these hedging positions. As a result, between 2022 until the first half of 2024, the Company incurred significant mark-to-market and realised losses from these hedging positions, particularly during periods of heightened price volatility or unexpected market reversals.

For further information on the Company's financial performance for the last four (4) FYEs up to FYE 2024 and for the latest financial quarter ended 31 March 2025, please refer to **Appendix I** of this Announcement.

Despite these challenges, the Company remains focused on enhancing operational efficiencies, improving margins, and reinforcing long-term financial sustainability. The Company has taken the following steps and will continue to take such steps, as may be relevant, to improve its financial condition:

- (aa) **re-strategising its hedging policy** by shifting towards shorter-term hedging positions. This approach allows for greater flexibility and responsiveness to rapid changes in global crude oil prices. This is expected to reduce the Company's exposure to the volatile global crude oil price movements and to avoid or reduce potential loss-making position from the past hedging activities;
- (bb) **scheduled maintenance and upgrading works on its refining plants and other critical equipment**, which serves as pre-emptive measure to reduce future operational issues and ensure reliable, sustainable and efficient operation of its plants and equipment. The Company has also undertaken several other business improvement initiatives within its refining operations aimed at enhancing overall production performance and cost efficiency. These initiatives are expected to increase the refinery's intake and output capacity, improve the plant's yield of high-value products and optimise operational efficiency that are expected to reduce operating expenses. Such key areas of focus include:
 - *production yield improvement*: implementation of advanced process control systems to reduce Euro 4 Mogas (U95) sulphur giveaway, thereby minimising Research Octane Number (Ron) loss and improving fuel quality consistency;
 - *energy efficiency enhancements*: upgrading the conversion of natural gas to fuel gas through bypass valve improvements, increasing the capacity of mixed bed systems to reduce both water and chemical consumption, and integrating natural gas and fuel gas systems to reduce LPG (propane) vaporisation losses; and
 - *cost reduction measures*: installation of a dedicated berthing facility for Mogas at Berth 3 Jetty to reduce demurrage costs associated with vessel handling;
- (cc) **focus on production of higher-margin products**, a continuation of its strategic efforts taken since 2024, leading to the successful optimisation of gasoil (i.e. diesel) output. This key initiative involved the upgrade of cracked, low-value cycle oil into high value Euro 5 gasoil, which contributed to increased revenue and earnings. These gasoil maximisation strategies were fully realised within the Company's existing plant capabilities via the implementation of advanced process control and automation technologies in its hydro-processing units, enabling more efficient operations and product quality enhancement without requiring major capital investment;
- (dd) **diversify products and customer base** to reduce reliance on a concentrated customer base. The Company has expanded its market reach by entering into several new sales and supply agreements with Petronas, Petron and Five, with a combined value exceeding RM186 million in the FYE 2024. In February 2024, the Company also entered into a 12-month agreement with PTT International Trading, the trading arm of Thailand's state-owned oil and gas company, for the supply of up to 96 kilotonnes of propylene, a high-value by-product derived from the refining process. These strategic moves are expected to enhance the Company's ability to monetise its product mix more effectively and strengthen its position in regional markets; and

(ee) **cost rationalisation exercises** undertaken which include the following:

- stringent controls implemented in the crude oil discharge process, which directly led to substantial reduction in both demurrage charges and oil losses;
- enhanced foreign exchange hedging strategy with a clear defined policy and monitoring mechanism that closely track and monitor foreign currency fluctuations, with the objective of optimising MYR-equivalent savings in crude procurement costs;
- comprehensive reviews of business contracts and increasing the use of tender arrangements instead of direct negotiation with limited number of suppliers to achieve more favourable terms for the Company which resulted in an overall saving to the Company of approximately RM45 million in procurement cost in the FYE 2024; and
- detailed business performance review of its existing suppliers to accurately assess the quality of goods and services rendered and to then determine which should be retained and where sourcing for alternatives would be strategically beneficial to the Company.

(b) Adequacy of proceeds raised from the Proposed Rights Issue with Warrants

While the Company continues to improve its financial performance, the Company proposes to undertake the Proposed Rights Issue with Warrants as an interim fund-raising measure to strengthen its short-to-medium term working capital position. The Board is of the view that the immediate proceeds to be raised from the Proposed Rights Issue with Warrants are adequate to meet the Company's financial requirements over the short-to-medium term. The Proposed Rights Issue with Warrants is also expected to enhance the Company's capital base to better reflect the scale of its operations. For information, as at 31 December 2024, the Company has total assets of approximately RM3.8 billion, underpinned by a comparatively modest share capital base of RM300.0 million.

Notwithstanding this fund-raising exercise, the Company will continue to evaluate its operational and financial position on an ongoing basis and will take appropriate steps to ensure long-term sustainability and valuation creation for its stakeholders.

For information purpose, the Company has not undertaken any equity fund raising exercise in the past 12 months preceding the date of this Announcement.

(c) Value expected to be created from the Proposed Rights Issue with Warrants to the Company and the shareholders of the Company as well as the impact of the Proposed Rights Issue with Warrants

The Board recognises that the Proposed Rights Issue with Warrants is not expected to result in an immediate turnaround of the Company's financial performance. However, the Proposed Rights Issue with Warrants is expected to ease the Company's cash flow constraints and strengthen its short-to-medium term working capital requirements without incurring additional interest expenses or repayment obligations that could otherwise further weaken the Company's financial performance.

The proceeds from the Proposed Rights Issue with Warrants are also critical to enable the Company to ensure consistent sufficient crude intake. Crude supply stability is essential for optimal refinery utilisation and operating efficiency, as lower or inconsistent intake volumes tend to result in higher per-barrel production costs due to suboptimal capacity use and fixed-cost absorption. By maintaining adequate feedstock levels, the Company can achieve a more efficient production cost structure per barrel, which in turn will support margin recovery and improve overall competitiveness in a volatile market.

The Proposed Rights Issue with Warrants is also expected to strengthen the Company's equity capital base, thereby enhancing its financial flexibility and credit profile to support its future financing needs.

In addition, the Proposed Rights Issue with Warrants provides the Entitled Shareholders with an opportunity to participate in the Company's prospects and long-term future growth by subscribing to the Rights Shares at a discount to the TERP of HRC Shares. It also allows them to further increase their equity participation in the Company by exercising their Warrants at a predetermined price during the tenure of the Warrants. There is no dilution to the percentage shareholding of the Entitled Shareholders in the Company provided that they subscribe in full for their respective entitlements under the Proposed Rights Issue with Warrants.

However, in the event none of the Entitled Shareholders subscribe for their respective entitlements under the Proposed Rights Issue with Warrants, save for MHIL based on its Undertaking, the shareholdings of the other Entitled Shareholders (excluding MHIL) in the Company will be diluted, and MHIL's shareholding in the Company will correspondingly increase. Further information on the pro forma effects of the Proposed Rights Issue with Warrants on the shareholding of MHIL in the Company is set out in Section 5.2 of this Announcement.

4. INDUSTRY OUTLOOK AND PROSPECTS

4.1 Overview and outlook of the Malaysian economy

The Malaysian economy expanded by 4.4% in the first quarter ("1Q") of 2025 (fourth quarter ("4Q") 2024: 4.9%), driven by the steady expansion in domestic demand. Household spending was sustained amid positive labour market conditions and income-related policy measures, including the upward revision of minimum wage and civil servant salary. The steady expansion in investment activities was supported by realisation of new and existing projects. In the external sector, export growth was slower due mainly to lower mining exports. This was partially offset by stronger electrical and electronics ("E&E") exports and tourism activity. At the same time, imports growth, although more moderate, continued to be driven by strong demand for capital goods, reflecting continued investment and trade activities.

On the supply side, growth was driven by the services and manufacturing sectors. Services sector was supported by higher government services while strong E&E production underpinned the performance in the manufacturing sector. However, normalisation in motor vehicle sales and production following strong performances over the last three years affected the growth of services and manufacturing sectors respectively. Overall growth was also weighed down by a contraction in the mining sector amid lower oil and gas production. On a quarter-on-quarter, seasonally-adjusted basis, growth expanded by 0.7% (4Q 2024: -0.2%).

Headline inflation moderated to 1.5% in 1Q 2025 (4Q 2024: 1.8%). The moderation was largely due to lower utilities inflation at 3.0% (4Q 2024: 18.1%). This followed the dissipation of the effects of earlier water tariff adjustments and higher electricity charges for high-usage households in 1Q 2024. Inflation in mobile communication services continued to decline, averaging at -13.5% (4Q 2024: -10%). Core inflation, however, edged higher to 1.9% (4Q 2024: 1.7%). It was driven mainly by rental inflation, which rose to 2.1% (4Q 2024: 1.7%). Inflation pervasiveness, measured by the share of Consumer Price Index (CPI) items recording monthly price increases, experienced an uptick amid seasonal menu price adjustments. Nonetheless, it remained well below the long-term average for 1Q 2025 (43.3%; 4Q 2024: 39.8%; 1Q2011-2019: 52.2%).

In 1Q 2025, the Malaysian Ringgit (“MYR”) remained broadly stable. The nominal effective exchange rate (NEER) against the currencies of Malaysia’s major trade partners increased marginally by 0.01%. The MYR also appreciated by 0.8% against the US Dollar (“USD”). This movement was primarily driven by the weakening of the USD as growing uncertainties over US trade policy resulted in increased expectations of more subdued US economic growth.

External factors are expected to continue influencing the MYR exchange rate. Notwithstanding, Malaysia’s positive macroeconomic prospects supported by the ongoing implementation of structural reforms will provide medium-term support for the MYR. BNM remains committed to ensuring the orderly functioning of the domestic foreign exchange market.

Malaysia’s 2025 growth will be affected by the escalation in trade tensions and the heightened policy uncertainties. The rapidly-evolving developments surrounding trade tariffs are expected to affect the global outlook for the rest of the year. Growth of the Malaysian economy is expected to be slightly lower than the earlier forecast of 4.5% - 5.5% in 2025. The high uncertainty surrounding outcomes of trade negotiations and how these will reshape global trade complicates a clear assessment of their impact on growth at this juncture. The new official growth forecast will be released in the near future once there is a greater visibility in these factors.

Notwithstanding the external risks, growth will continue to be anchored primarily by resilient domestic demand. This provides a strong buffer against external headwinds. Household spending is expected to continue expanding, supported by continued wage and employment growth, particularly within domestic-oriented sectors as well as income-related policy measures. Investment activities will be driven by the continued implementation of multi-year projects across private and public sectors, further realisation of approved investments with a larger share by domestic players and the implementation of catalytic initiatives under the national master plans. Additionally, the continued demand for E&E goods, alongside higher tourist receipts will also provide cushion to growth.

The inflation outlook remains contingent on evolving global conditions and domestic policy measures. In 2025, headline inflation is projected to remain within a moderate range of 2.0% to 3.5%, driven by further moderating global costs and absence of excessive demand. Similar to the economic outlook, any changes to the forecast will be released once there is greater visibility on the external developments. Global commodity prices are expected to be lower, contributing to further downward pressure. The recently introduced wage-related policies will support demand, although the impact on inflation is expected to be limited. In this environment, the overall impact from domestic policy measures is expected to be contained.

(Source: Press Release for the Economic and Financial Developments in Malaysia in the 1Q 2025, BNM dated 16 May 2025)

4.2 Overview and outlook of the oil and gas industry in Malaysia

The production of crude oil and condensate recorded a stable volume of 45.5 million barrels, reflecting the resilience of the upstream sector in navigating market uncertainties during 1Q 2025. The crude oil and condensate production recorded 45.5 million barrels in 1Q 2025, registering a marginal negative growth of 5.2% year-on-year (4Q 2024: -7.3%; 45.7 million barrels). This was supported by an improvement in production of crude oil, which showed signs of recovery with a smaller contraction of negative 6.5% compared to negative 9.3% in the previous quarter. Meanwhile, condensate production also recorded growth, but remained within the negative range at 2.4% compared to negative 2.5% in the previous period. However, natural gas production shrank by 2.2% year-on-year compared to 3.1% in the previous quarter with a total production of 781.9 billion cubic feet compared to 792.8 billion cubic feet in 4Q 2024. The Weighted Average Lifting Price (WALP) for crude oil and condensate in Malaysia rose to USD76.4 per barrel in 1Q 2025, compared to USD76.3 per barrel in the previous quarter. This price increased in line with the prices of West Texas Intermediate (WTI) and Brent, which recorded USD71.8 per barrel (4Q 2024: USD70.7 per barrel) and USD75.8 per barrel (4Q 2024: USD74.6 per barrel), respectively.

The export value of crude petroleum and condensate amounted to RM6.2 billion, an increase compared to RM6.0 billion in the previous quarter. Thailand led the exports of crude petroleum and condensate with RM1.9 billion or 30.9% of total exports, followed by Australia (26.1%) and Japan (11.4%). Meanwhile, the export value of refined petroleum products declined to RM24.3 billion in 1Q 2025 compared to RM26.5 billion in the previous quarter. Singapore remained the main recipient of refined petroleum product exports, totalling RM6.9 billion or 28.3%, followed by Indonesia (21.4%) and Australia (15.5%). The export value of liquefied natural gas (“LNG”) also recorded a decrease to RM15.5 billion in 1Q 2025 compared to RM16.7 billion in 4Q 2024, with 46.0% exported to the Japan, followed by Republic of Korea (24.3%) and China (20.1%). The import value of crude petroleum and condensate declined to RM13.6 billion in 1Q 2025, compared to RM15.1 billion recorded in 4Q 2024. Saudi Arabia remained the dominant source country for crude petroleum and condensate imports, accounting for 52.7% in 1Q 2025, followed by the United Arab Emirates (15.2%) and Sudan (6.0%). The import value of refined petroleum products stood at RM23.2 billion, lower than RM25.4 billion recorded in the previous quarter, with Singapore remaining the largest contributor (42.5%), followed by the Republic of Korea (11.9%) and India (8.1%). LNG imports also recorded a decline to RM1.9 billion (4Q 2024: RM2.2 billion), with the entire amount imported from Australia.

(Source: Mining of Petroleum and Natural Gas Statistics, 1Q 2025, Department of Statistics Malaysia)

4.3 Prospects of the Company

In FYE 2024, the Company recorded revenue of approximately RM17.21 billion, representing an increase of approximately RM1.81 billion or 12% as compared to revenue of approximately RM15.40 billion in FYE 2023. The increase was primarily driven by the gradual normalisation of the plant’s production and yield following the successful completion of the major turnaround exercise in 2023. The major turnaround exercise involved a full temporary shutdown of the refinery plant in order to carry out comprehensive maintenance, inspections, repairs and upgrades to the production units and equipment. However, the increase in revenue was partially offset by the weaker average product market prices and the adverse impact of the weakening USD against the MYR as compared to the prior year.

Despite the improvement in revenue, 2024 remained a challenging year for the Company. The downstream refining segment which the Company is involved in, faced significant headwinds due to volatile crude oil market prices and declining cracked spreads (i.e. spread between crude oil and refined product prices), which negatively impacted refining margins and profitability. In addition, the rising demand for non-refined fuels, such as liquefied natural gas (LNG) and biofuels, further undermines the demand for refined petroleum products. This placed pressure on operating rates and overall profitability for most refiners, especially in mature demand centres such as the Company.

To navigate these challenges, the Company adopted a multi-pronged strategic approach. The first was through enhancing its hedging strategy to improve resilience against crude oil price fluctuations. This approach was notably effective, especially in the second half of 2024 as the Company successfully reduced its exposure to market volatility and established more defensive positions to protect its future margins.

Diversification activities were also undertaken to expand its customer base and diversify its revenue streams. In 2024, several new sales and supply contracts were secured for refined products with Petronas, Petron and Five. These contracts enable revenue diversification through the supply of refined products at higher price points. The Company has also continued its strategic overseas sales, with the sale of propylene gas to Indonesia. Revenue generation aside, customer diversification also enhanced pricing flexibility and margin optimisation opportunities.

The Company's refined products are distributed to customers through multiple delivery channels, including the multiproduct pipeline and truck loading gantry for customers in West Malaysia, as well as via maritime vessels through the jetty for deliveries to East Malaysia and overseas markets. As part of its strategic focus, the Company has actively pursued an increased share of pipeline and gantry-based sales, as opposed to sales by vessel via jetty and maritime vessels. This shift provides higher margins associated with pipeline and gantry-based transactions and support a lower Scope 3 emissions profile due to reduced reliance on maritime transportation. Pipeline and gantry-based sales is also consistent with the Company's business objectives to grow its domestic market share. Currently, more than 80% of the Company's refined products are sold within Malaysia, with the remaining portion exported across Southeast Asia.

Taking these operational improvements and the outlook of the industry in which the Company operates, the Company believes that its strategic initiatives will improve the financial performance of the Company in the near term.

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5. EFFECTS OF THE PROPOSED RIGHTS ISSUE WITH WARRANTS

5.1 Issued share capital

The pro forma effects of the Proposed Rights Issue with Warrants on the issued share capital of the Company are as follows:

	Minimum Scenario		Maximum Scenario	
	No. of Shares	RM'000	No. of Shares	RM'000
As at the LPD	300,000,000	300,000	300,000,000	300,000
No. of Rights Shares to be issued	155,000,000	⁽¹⁾ 106,031	300,000,000	⁽¹⁾ 206,625
	455,000,000	406,031	600,000,000	506,625
No. of new Shares to be issued arising from full exercise of the Warrants	77,500,000	⁽²⁾ 156,744	150,000,000	⁽²⁾ 303,375
Enlarged issued share capital	532,500,000	562,775	750,000,000	810,000

Notes:

- (1) *Based on the illustrative issue price of RM1.00 per Rights Share and after accounting for the creation of warrants reserve and deducting the estimated expenses relating to the Proposed Rights Issue with Warrants of RM1.50 million.*
- (2) *Based on the illustrative exercise price of RM1.41 per Warrant and after accounting for the reversal of warrants reserve.*

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5.2 Substantial shareholders' shareholdings

The pro forma effects of the Proposed Rights Issue with Warrants on the shareholding of the substantial shareholder of the Company based on the Register of Substantial Shareholders of the Company as at the LPD are as follows:

Minimum Scenario

Substantial shareholder	As at the LPD				(I) After the Proposed Rights Issue with Warrants				(II) After (I) and assuming full exercise of the Warrants			
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
	MHIL	153,069,002	51.02	-	-	308,069,002	67.71	-	-	385,569,002	72.41	-

Maximum Scenario

Substantial shareholder	As at the LPD				(I) After the Proposed Rights Issue with Warrants				(II) After (I) and assuming full exercise of the Warrants			
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
	MHIL	153,069,002	51.02	-	-	306,138,004	51.02	-	-	382,672,505	51.02	-

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5.3 Net assets (“NA”) per Share and gearing

For illustrative purposes only, based on the latest audited statement of financial position of the Company as at 31 December 2024 and assuming that the Proposed Rights Issue with Warrants had been effected on that date, the pro forma effects of the Proposed Rights Issue with Warrants on the audited NA per Share and gearing of the Company are as follows:

Minimum Scenario

	Audited as at 31 December 2024	(I) After the Proposed Rights Issue with Warrants	(II) After (I) and assuming full exercise of the Warrants
	(RM'000)	(RM'000)	(RM'000)
Share capital	300,000	⁽⁴⁾ 406,031	⁽⁶⁾ 562,775
Retained earnings	986,828	986,828	986,828
Cash flow hedge reserve	(161)	(161)	(161)
Cost of hedging reserve	(7,602)	(7,602)	(7,602)
Translation reserve	(128,888)	(128,888)	(128,888)
Warrants reserve	-	⁽⁵⁾ 47,469	⁽⁶⁾ -
Total equity attributable to owners of the Company/NA	1,150,177	1,303,677	1,412,952
No. of HRC Shares in issue ('000)	300,000	455,000	532,500
NA per Share (RM) ⁽¹⁾	3.83	2.87	2.65
Total borrowings (excluding lease liabilities)	1,433,741	1,433,741	1,433,741
Cash and cash equivalents	679,096	832,596	941,871
Gearing (times) ⁽²⁾	1.25	1.10	1.01
Net gearing (times) ⁽³⁾	0.66	0.46	0.35

Notes:

- (1) Calculated based on total equity attributable to owners of the Company (i.e. NA) over number of HRC Shares in issue.
- (2) Calculated based on total borrowings (excluding lease liabilities) over total equity.
- (3) Calculated based on total net borrowings (comprises the total borrowings net of cash and cash equivalents) over total equity.
- (4) Based on the illustrative issue price of RM1.00 per Rights Share and after accounting for the creation of warrants reserve and deducting the estimated expenses relating to the Proposed Rights Issue with Warrants of RM1.50 million.
- (5) Based on the theoretical fair value of the Warrants as at the LPD of RM0.6125 per Warrant.
- (6) Assuming the Warrants are exercised into new HRC Shares at the illustrative exercise price of RM1.41 per Warrant and the corresponding reclassification of the warrants reserve amount to the share capital account.

Maximum Scenario

		(I)	(II)
	Audited as at 31 December 2024	After the Proposed Rights Issue with Warrants	After (I) and assuming full exercise of the Warrants
	(RM'000)	(RM'000)	(RM'000)
Share capital	300,000	⁽⁴⁾ 506,625	⁽⁶⁾ 810,000
Retained earnings	986,828	986,828	986,828
Cash flow hedge reserve	(161)	(161)	(161)
Cost of hedging reserve	(7,602)	(7,602)	(7,602)
Translation reserve	(128,888)	(128,888)	(128,888)
Warrants reserve	-	⁽⁵⁾ 91,875	⁽⁶⁾ -
Total equity attributable to owners of the Company/NA	1,150,177	1,448,677	1,660,177
No. of Shares in issue ('000)	300,000	600,000	750,000
NA per Share (RM) ⁽¹⁾	3.83	2.41	2.21
Total borrowings (excluding lease liabilities)	1,433,741	1,433,741	1,433,741
Cash and cash equivalents	679,096	977,596	1,189,096
Gearing (times) ⁽²⁾	1.25	0.99	0.86
Net gearing (times) ⁽³⁾	0.66	0.31	0.15

Notes:

- (1) Calculated based on total equity attributable to owners of the Company (i.e. NA) over number of HRC Shares in issue.
- (2) Calculated based on total borrowings (excluding lease liabilities) over total equity.
- (3) Calculated based on total net borrowings (comprises the total borrowings net of cash and cash equivalents) over total equity.
- (4) Based on the illustrative issue price of RM1.00 per Rights Share and after accounting for the creation of warrants reserve and deducting the estimated expenses relating to the Proposed Rights Issue with Warrants of RM1.50 million.
- (5) Based on the theoretical fair value of the Warrants as at the LPD of RM0.6125 per Warrant.
- (6) Assuming the Warrants are exercised into new HRC Shares at the illustrative exercise price of RM1.41 per Warrant and the corresponding reclassification of the warrants reserve amount to the share capital account.

5.4 Earnings and earnings per Share (“EPS”)

As the Proposed Rights Issue with Warrants is only expected to be completed in the third quarter of 2025, the Proposed Rights Issue with Warrants is not expected to have any material effect on the earnings of the Company for the financial year ending 31 December 2025.

However, there will be a dilution in EPS as a result of the issuance of the Rights Shares. The EPS is expected to be further diluted should there be any exercise of the Warrants.

Notwithstanding, the Proposed Rights Issue with Warrants is expected to contribute positively to the future earnings of the Company via the utilisation of proceeds as set out in Section 2.6 of this Announcement.

5.5 Convertible securities

As at the LPD, the Company does not have any outstanding convertible securities in issue.

6. APPROVALS REQUIRED

The Proposed Rights Issue with Warrants is subject to the following approvals being obtained:

- (i) Bursa Securities for the following:
 - (a) admission of the Warrants to the Official List of Bursa Securities and the listing and quotation of up to 150.0 million Warrants on the Main Market of Bursa Securities;
 - (b) listing and quotation of up to 300.0 million Rights Shares on the Main Market of Bursa Securities; and
 - (c) listing and quotation of up to 150.0 million Exercised Shares on the Main Market of Bursa Securities;
- (ii) shareholders of the Company at an EGM to be convened; and
- (iii) any other relevant authorities and/or parties, if required.

The Proposed Rights Issue with Warrants is not conditional upon any other corporate proposal undertaken or to be undertaken by the Company.

7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM

None of the Directors, major shareholders and chief executive of the Company and/or persons connected with them have any interest, whether direct or indirect, in the Proposed Rights Issue with Warrants, save for their respective entitlements as the shareholders of the Company under the Proposed Rights Issue with Warrants and their right to apply for the Excess Rights Shares, for which other Entitled Shareholders are also similarly entitled.

8. DIRECTORS' STATEMENT

The Board having considered all aspects of the Proposed Rights Issue with Warrants, including the rationale and pro forma effects of the Proposed Rights Issue with Warrants, is of the opinion that the Proposed Rights Issue with Warrants is in the best interest of the Company.

9. ADVISER

AmInvestment Bank has been appointed as the Principal Adviser to the Company for the Proposed Rights Issue with Warrants.

10. SUBMISSION TO THE RELEVANT AUTHORITIES AND ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the submission to the relevant authorities for the Proposed Rights Issue with Warrants is expected to be made within one (1) month from the date of this Announcement.

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Proposed Rights Issue with Warrants is expected to be completed in the third quarter of 2025.

This Announcement is dated 14 July 2025.

FINANCIAL INFORMATION OF THE COMPANY

A summary of the financial information of the Company for the last four (4) FYEs 2021 to 2024 as well as for the three (3)-month financial period ended (“FPE”) 31 March 2025 are as follows:

	Audited				Unaudited	
	FYE 31 December				Three (3)-month FPE 31 March	
	2021	2022	2023	2024	2024	2025
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Revenue	12,006,040	21,142,293	15,399,240	17,211,700	4,987,437	2,400,722
Gross profit/(loss)	1,044,654	344,885	(143,929)	196,723	279,830	(16,063)
Profit/(Loss) before taxation	127,702	(394,382)	(499,960)	(357,561)	1,360	(170,445)
Net profit/(loss) for the financial year/period	82,672	(157,640)	(488,570)	(357,561)	1,168	(170,445)
Profit/(loss) attributable to owners of the Company ⁽¹⁾	82,672	(157,640)	(488,570)	(357,561)	1,168	(170,445)
Weighted average number of Shares in issue ('000)	300,000	300,000	300,000	300,000	300,000	300,000
Basic earnings/(loss) per Share (sen) ⁽²⁾	27.56	(52.55)	(162.86)	(119.19)	0.39	(56.82)

Notes:

- (1) HRC does not have any subsidiary or associated company. There is no profit/(loss) attributable to non-controlling interests recorded for the years/period under review.
- (2) Calculated based on profit/(loss) attributable to owners of the Company over weighted average number of Shares in issue.

Commentary of the financial performance**(i) FYE 2021 to FYE 2022**

In FYE 2022, the Company recorded revenue of approximately RM21.14 billion, representing an increase of approximately RM9.13 billion or 76% compared to revenue of approximately RM12.01 billion in FYE 2021. The significant increase in revenue was primarily driven by a substantial rise in average product market prices, which increased by 59% from USD78.81 per barrel (“/bbl”) in FYE 2021 to USD125.25/bbl in FYE 2022. The price increase reflected strong market demand recovery following the economic disruptions and lockdowns caused by the COVID-19 pandemic. Additionally, the Company reported a 9% increase in sales volume, reaching approximately 39.7 million barrels in FYE 2022, up from 36.3 million barrels in FYE 2021.

FINANCIAL INFORMATION OF THE COMPANY (Cont'd)

Despite the higher revenue recorded in FYE 2022, the Company reported a significantly lower gross profit of approximately RM344.89 million in FYE 2022, representing a decline of approximately RM699.76 million or 67% compared to gross profit of approximately RM1.04 billion in FYE 2021. The substantial decrease in gross profit was primarily driven by hedging losses amounting to approximately RM1.46 billion (FYE 2021: RM45.45 million), arising from unfavourable long hedging positions entered in 2021. These positions were adversely impacted by the unexpected geopolitical developments following the onset of the Russian-Ukraine war in early 2022. In addition, the Company's gross profit was also adversely impacted by an unplanned nationwide power outage in July 2022, which resulted in production losses and increased plant overhead costs due to the sudden forced plant shutdown. This disruption also affected plant operations, resulting in suboptimal refined product yields and additional costs associated with the rescheduling of planned crude oil purchases, which collectively contributed to margin compression. Furthermore, higher crude premium costs and additional write downs of hydrocarbon inventories amounting to approximately RM82.99 million (FYE 2021: RM13.83 million) further weighed on gross profitability.

As a result, the Company recorded a loss before tax ("**LBT**") of approximately RM394.38 million in FYE 2022, compared to a profit before tax ("**PBT**") of approximately RM127.70 million in FYE 2021. This occurred despite a marginal increase in other income, a substantial reduction in manufacturing and operating expenses contributed by the company-wide costs optimisation initiatives, and a significantly lower mark-to-market losses on commodity swaps and other refining margin swap derivatives used for hedging hydrocarbon inventories of approximately RM225.20 million (FYE 2021: loss of approximately RM490.17 million) due to improved hedging positions against oil price movements during the year. The LBT was further impacted by an increase in administrative expenses, primarily due to a one-off impairment charge of approximately RM12.11 million relating to the Company's plant, equipment and parts refurbishment. Additionally, a net foreign exchange loss arising from strengthening USD against MYR during the year and higher finance costs driven by global interest rate hikes also contributed to the overall loss. Consequently, the Company recorded loss per Share ("**LPS**") of approximately 53 sen in FYE 2022, compared to EPS of approximately 28 sen in FYE 2021.

(ii) FYE 2022 to FYE 2023

In FYE 2023, the Company recorded revenue of approximately RM15.40 billion, representing a decrease of approximately RM5.74 billion or 27% compared to revenue of approximately RM21.14 billion in FYE 2022. The significant decline was primarily due to an 18% drop in average product market prices to USD103.28/bbl (FYE 2022: USD125.25/bbl), as well as a 14% decrease in sales volume to approximately 34.0 million barrels (FYE 2022: 39.7 million barrels). The reduction in sales volume was largely attributed to the spillover effects of scheduled maintenance activities carried out from December 2022 to early 2023, as well as the major turnaround exercise ("**MTA2023**") conducted in July and August 2023 which involved a full temporary shutdown of the refinery plant to facilitate for a comprehensive maintenance, inspections, repairs and upgrades to the production units and equipment.

As a result of the plant constraints mentioned above, the Company's ability to optimise margins was significantly limited. Both selling prices and production volumes were adversely impacted by the increased plant downtime, while fixed costs remained largely unchanged. Additionally, gross margins were further affected by the weakening of crack spreads for key refined petroleum products, particularly diesel (gasoil) and jet fuel (Jet A1). Coupled with continued hedging losses, these factors led the Company to record gross loss of approximately RM143.93 million in FYE 2023, compared to a gross profit of approximately RM344.89 million in FYE 2022. Notwithstanding these adverse conditions, the Company recorded a reversal of write downs of hydrocarbon inventories amounting to approximately RM19.70 million in FYE 2023 as opposed to additional write-downs of approximately RM82.99 million in FYE 2022.

FINANCIAL INFORMATION OF THE COMPANY (Cont'd)

Consequently, the Company recorded a higher LBT of approximately RM499.96 million in FYE 2023, compared to a LBT of approximately RM394.38 million in FYE 2022. The increase in LBT was also attributable to the absence of liquidated damages claims of approximately RM19.59 million received in 2022 from a main contractor as a result of delay in the delivery of the Euro 4 Mogas (“E4M”) project. Additionally, manufacturing expenses rose due to planned maintenance activities conducted during the MTA2023 exercise, a major turnaround carried out once every five (5) years to ensure asset integrity and operational reliability. Depreciation and amortisation charges also increased by 27% from approximately RM113.00 million to RM143.91 million, following the completion of the MTA2023 exercise in the third quarter of 2023 and the capitalisation of major projects i.e. Hydrogen Manufacturing Unit and E4M Unit in FYE 2023. Higher finance costs, primarily driven by global interest rate hikes, especially on the USD denominated loans, also contributed to the increased LBT.

Notwithstanding these factors, the LBT was partially offset by other operating gains in FYE 2023, mainly arising from favourable mark-to-market effects on commodity swaps and other refining margin swap derivatives used for hydrocarbon hedging. These gains amounted to approximately RM207.64 million, compared to a loss of approximately RM225.20 million in FYE 2022, reflecting more favourable hedging positions that were aligned with oil price movements. Unlike in FYE 2022, there was also no one-off impairment charge on the Company’s plant, equipment and parts refurbishment in FYE 2023.

Premised on the above, the Company’s LPS widened to approximately 163 sen in FYE 2023, compared to approximately 53 sen in FYE 2022.

(iii) FYE 2023 to FYE 2024

In FYE 2024, the Company recorded revenue of approximately RM17.21 billion, representing an increase of approximately RM1.81 billion or 12% as compared to revenue of approximately RM15.40 billion in FYE 2023. The increase was primarily driven by a 17% increase in sales volume, with total sales reaching approximately 39.8 million barrels in FYE 2024, compared to approximately 34.0 million barrels in FYE 2023. The revenue growth was also supported by the gradual normalisation of the plant’s production and yield following the successful completion of the MTA2023 exercise. However, the overall increase in revenue was partially offset by lower average product market prices, which fell from USD103.28/bbl in FYE 2023 to USD94.82/bbl in FYE 2024, compounded by the weakening of the USD against the MYR during the year.

In tandem with higher revenue recorded, the Company registered a gross profit of approximately RM196.72 million in FYE 2024, marking a significant turnaround from a gross loss of approximately RM143.93 million in FYE 2023, an improvement of approximately RM340.65 million. This improvement was driven not only by increased revenue but also by more favourable hedging positions. The Company recorded a net fair value gain of approximately RM25.53 million on refining margin swap contracts, compared to a net fair value loss of approximately RM711.88 million in FYE 2023. The prior year’s loss was mainly due to unfavourable long hedging positions taken in 2021, which were adversely impacted by the onset of the Russia-Ukraine war in early 2022. Additionally, there was a higher reversal of previous write-downs of hydrocarbon inventories amounting to approximately RM65.79 million (FYE 2023: RM19.70 million), due to increased stock valuations. Despite these improvements, gross profit was partially offset by lower average product crack market prices, which declined to USD14.06/bbl in FYE 2024 from USD20.66/bbl in FYE 2023.

FINANCIAL INFORMATION OF THE COMPANY (Cont'd)

Consequently, the Company recorded lower LBT of approximately RM357.56 million in FYE 2024, narrowing its LBT by approximately RM142.40 or 28% compared to approximately RM499.96 million in FYE 2023. The Company also recorded lower plant manufacturing expenses due to the absence of a one-off operating expenditure costs of approximately RM21.19 million incurred for the MTA2023 exercise. Nevertheless, the Company continued to record a LBT, primarily due to higher depreciation and amortisation charges following the completion of the MTA2023 exercise in the third quarter of 2023 and the capitalisation of major projects i.e. Hydrogen Manufacturing Unit and E4M Unit in FYE 2023. The Company also incurred mark-to-market losses of approximately RM20.83 million on commodity swaps and other refining margin swap derivatives used for hydrocarbon hedging, compared to a gain of approximately RM207.64 million in FYE 2023, stemming from unfavourable movements in oil prices. Higher finance costs also contributed to the continued loss. Accordingly, the Company's LPS reduced to approximately 119 sen in FYE 2024, compared to approximately 163 sen in FYE 2023.

(iv) Three (3)-month FPE 31 March 2025 compared to three (3)-month FPE 31 March 2024

In the three (3)-month FPE 31 March 2025, the Company recorded revenue of approximately RM2.40 billion, representing a decrease of approximately RM2.59 billion or 52% as compared to revenue of RM4.99 billion in the three (3)-month FPE 31 March 2024. The lower revenue was primarily due to a 13% drop in average product market prices to USD88.69/bbl (FPE2024: USD102.01/bbl), and a 42% decrease in sales volume to approximately 6.3 million barrels (FPE2024: 10.8 million barrels). The reduction in sales volume was largely attributed to lower plant availability following the scheduled year-end pitstop maintenance exercise carried out in end December 2024, which was completed in mid-January 2025. For information, no year-end pitstop maintenance exercise was carried out in December 2023, as the MTA2023 had already been conducted earlier in July and August 2023.

The lower sales volume has led to a gross loss of RM16.06 million for the three-month FPE 31 March 2025, compared to a gross profit of RM279.83 million in the corresponding period. The gross margins were further pressured by the weakening crack spreads across all key refined petroleum products namely, gasoline (U95), diesel (gasoil), and jet fuel (Jet A1).

Consequently, the Company recorded a LBT of approximately RM170.45 million in the said financial period as opposed to a PBT of approximately RM1.36 million in the preceding financial period. Additionally, the Company profitability was further affected by the higher plant manufacturing costs arising from lower production volume and higher maintenance costs incurred during the scheduled year-end pitstop maintenance exercise carried out. Accordingly, the Company recorded LPS of approximately 57 sen in the three (3)-month FPE 31 March 2025 as opposed to EPS of approximately 0.39 sen in the preceding financial period.

(Source: Management of HRC)