

ESCALATING OUR COMMITMENTS



2021 ANNUAL REPORT

Hengyuan Refining Company Berhad

Registration No. 196001000259 (3926-U)

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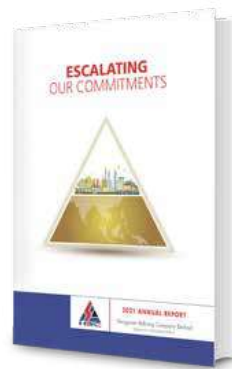
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ESCALATING OUR COMMITMENTS

This year's simple and focused cover design reflects Hengyuan Refining Company Berhad (HRC)'s centred focus on escalating core commitments to safety, reliability and sustainability amidst a challenging 2021. Within the challenges of operating during a pandemic, HRC continued to deliver its best by staying customer focused and pursuing key targets in operational improvements. The minimalist design captures this clarity of vision and mindfulness of our role within the domestic and regional oil and gas market.

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 2021 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 83 to 87.

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.



LINK TO OUR ONLINE REPORTS

The online version of HRC's 2021 Annual Report and 2021 Sustainability Report are available on our website. Please visit www.hrc.com.my or scan the QR Code to download these reports.

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AT A GLANCE



Revenue
RM12.0 billion



Profit After Tax
RM82.7 million



Total Production Volume
35.0 million bbls



6.9 MILLION
manhours without Loss Time Injury
by 31 December 2021



96.9%
Operational
Availability



5,273
Near Miss Potential
Incident Report
Submissions



Improvement
in Reliability
with **Unplanned
Downtime Decreased
to 2.5%** in 2021



16,632
Training Hours
Conducted



ZERO
Work-Related Fatalities Track Record
in **28 YEARS**



Achieved above **80%** employee vaccination rate since August 2021, under the PIKAS programme



Successful roll out of an enhanced
Process Safety Framework

CERTIFICATION



- **ISO 9001: 2015**
Quality Management Systems
- **ISO 45001: 2018**
Occupational Health and Safety Management System
- **ISO 14001: 2015**
Environmental Management Systems
- **ISO 17025: 2017**
Testing and Calibration Laboratories
- **ISO 27001: 2013**
Information Security Management System
- **ISO 37001: 2016**
Anti-Bribery Management Systems



CHAIRMAN'S STATEMENT



WANG, YOUDE
Chairman

Dear Shareholders,

2021 proved to be another challenging year for Hengyuan Refining Company (HRC or the Company), as we marched forward in an uphill battle of continuously ensuring the safety of our people and sustaining the operations of our plant. Despite the external challenges, we take pride in having maintained our operations as the result of our nimbleness to respond to issues by leveraging on the comprehensive optimisation plans that we have put in place.

Through an environment of fluctuating demand and increasing costs, we remained steadfast and escalated our commitment to our stakeholders and the set goals of our established business plan.

We stepped up as one of the first few companies in Negeri Sembilan to participate in the Public-Private Partnership Immunisation Programme (PIKAS), doing our part to accelerate the nation's vaccination agenda, safeguard the health of our employees, and ensure continuity in our operations.

Together with continuous improvement on the Company's safety and environmental agenda, we stayed customer-focused, margin-driven and strategically responsive in 2021.

CHAIRMAN'S STATEMENT

HRC continued to persevere in ensuring continuity in our operations through the following efforts that were carried out in 2021.

PROACTIVE COVID-19 HEALTH RISK MANAGEMENT

In 2021, COVID-19 cases continued to surge. Maintaining a safe working environment for all employees, contractors and the surrounding community remained as HRC's top priority. Since the series of lockdowns that started in 2020, the Company has maintained rigorous safety management measures such as deployment of Split Resource Operations and Work-From-Home for support function employees to minimise face-to-face interaction at site in curbing the spread of COVID-19.

We also strongly advocated the national vaccination programme through a virtual vaccine education event, a series of health advisories issued to employees, and took the initiative to have all employees fully vaccinated by August 2021 under the PIKAS programme. The nation's high vaccination rates made it possible for the easing of Movement Control Order (MCO) restrictions such as the interstate travel ban that was lifted in October 2021. This in turn raised market demand for our products in the last quarter of the year



Details of our proactive COVID-19 health risk management can be read on pages 6 and 29 of this Annual Report.

OPERATIONAL RELIABILITY & SAFETY

Reliability and safety continue to be at the heart of our operations amidst the ongoing MCO and its phases that took effect within the first nine months of 2021. It was the robustness of our Business Continuity Plan (BCP) and strict COVID-19 preventive measures that have enabled us to continue operating in a safe environment for our employees.

Additionally, HRC continues to prioritise a culture of safety and readiness to overcome any untoward circumstances. An online training session, organised internally, on Incident Command System (ICS) was held in September 2021. The 2-day training involved employees from various departments and at all levels. This was followed by an on-site emergency response exercise that was held in the middle of December 2021 together with Malaysia's Fire and Rescue Department (BOMBA). These trainings were prioritised as critical in helping to enhance knowledge of our employees in preparing for an emergency response.



Details of our reliability and safety efforts can be read on pages 30 to 32 of this Annual Report.

PRUDENT FINANCIAL MANAGEMENT STRATEGIES

HRC's margins and financial performance are exposed to the risk of crude price, refined product price, and foreign exchange (forex) fluctuations, driven by geopolitical forces and global economic changes.

To ensure crude inventory and margin are well protected from price fluctuations, the Company exercised a hedging strategy to protect crude inventory by matching the average price of crude oil intake to the planned production of refined oil products to an acceptable level.

Anchored on solid operational reliability in 2021, HRC could also actively maximise production intake based on margin and demand, and continued to optimise high value crude purchases to maximise margins.



Details of our financial performance can be read on pages 39 and 40 of this Annual Report.

MANAGE ENVIRONMENT-RELATED RISKS

HRC has formed the Environmental Regulatory Compliance Management Committee (ERCMC) represented by key members of the senior management. The committee meets on a quarterly basis and is informed of all environmental compliance status as well as other arising issues related to the environment. Through the ERCMC, the Company has been able to closely monitor potential risks and to quickly address those risks.

As an example to cite, HRC has commissioned a live stack emission online monitoring system through collaboration with the Department of Environment (DOE) to ensure all emissions are well below the limit and being mitigated promptly if there is any excursion due to plant upsets.

Since 2017, HRC has invested substantially in improving the quality of air emissions coming from our refinery operations as well as improving the quality and level of 'cleanliness' of the fuel we provide to the market, through the E4M and E5G projects.

HRC has successfully rolled out E5G phase 1 specification in March 2021 in compliance with the Environmental Quality Regulations 2015. This new gasoil product specification reduces sulphur content by 98% as a result of changing specification from E2M diesel to E5G. Planning and preparation works are currently on-going to ensure the Company's readiness in rolling out the Euro 5 phase-2 and phase-3 specifications implementation. Upon completion, the Company will produce less carbon footprint, hence supporting the Government's initiative to have cleaner fuel.



Details of our climate-related risks management can be read on page 42 of this Annual Report.

GOVERNANCE & INTEGRITY

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

HRC also continues to commit to the highest level of integrity. In 2021, in conjunction with our annual Business Integrity Week in October, we organised a series of virtual events to refresh employee knowledge and awareness of business integrity, General Business Principles, Code of Conduct, and Information Security Awareness. One of the key highlights during the Business Integrity Week was the virtual talk on integrity delivered by an officer from the Malaysian Anti-Corruption Commission (MACC). The session was attended by the Board of Directors, management and employees of HRC. It was organised to reinforce ethical leadership, good governance, accountability and importance of individual integrity.



Details of our corporate governance efforts can be read on pages 56 to 66 of this Annual Report.

Certification

- **ISO 9001: 2015**
Quality Management Systems
- **ISO 45001: 2018**
Occupational Health and Safety Management System
- **ISO 14001: 2015**
Environmental Management Systems
- **ISO 17025: 2017**
Testing and Calibration Laboratories
- **ISO 27001: 2013**
Information Security Management System
- **ISO 37001: 2016**
Anti-Bribery Management Systems

FY2021 DIVIDENDS

The extraordinary pandemic situation continues to create uncertainties within the industry. As things stand, the Board's view is to maintain a conservative set of assumptions in cash flow and forecasting. Hence, no dividends were declared for the year ended 31 December 2021.

MOVING FORWARD INTO 2022

We target to improve financial performance for the coming years through higher input, improved cost optimisation and continued focus on prudent hedging strategies.

Whilst we strive to maintain the sustainability of our operations in the midst of a global health crisis, HRC perseveres to emerge stronger from this pandemic. We will continue to remain vigilant in ensuring the health and safety of our employees. In keeping our plant at an optimum level, we are also focused on taking on the necessary preparations for the turnaround exercise that is scheduled to take place in 2023.

ACKNOWLEDGEMENTS

The Board and I would like to record our thanks to Mr Erkki Tapio Ranta, for his visionary plans and well laid strategies for the Company when he served as the Chief Executive Officer. These continue to guide our way forward. We now welcome Mr Grant Gao, who assumed the responsibilities of the Chief Executive Officer in August 2021. Grant carries with him over 20 years of experience in the manufacturing sector of various product categories such as electronics, fine chemical and petrochemical. An advocator of continuous improvement, Grant is set to steer HRC, marking the next chapter in the growth of the Company.

On behalf of the Board, I thank all our stakeholders for their contributions and steadfast commitment. My special thanks go to the various fenceline communities, as well as our numerous business partners for their support in providing a conducive environment for our businesses. Finally, I would like to express gratitude to all the enthusiastic and dedicated employees who steer the Company forward. I believe we have what it takes to further escalate our commitment and accelerate HRC's growth momentum.

Wang, YouDe
Chairman

OUR STRENGTHS

Hengyuan Refining Company Berhad (HRC or the 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 ANCHOR

Shandong Hengyuan Petrochemical Company Limited (SHPC) owns a 51 per cent 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.

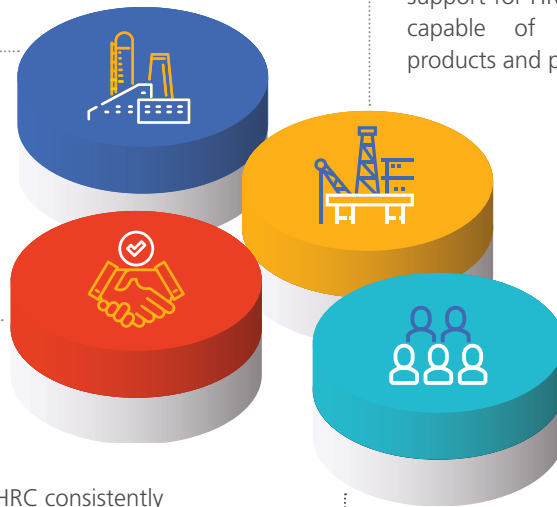
OUR COMMITMENT

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 dynamic and sustainable growth through to 2021 and beyond.

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

Liang Kok Siang

Independent Non-Executive Director

Surinderdeep Singh Mohindar Singh

Independent Non-Executive Director

BOARD AUDIT COMMITTEE

Alan Hamzah Sendut (Chair)
Fauziah Hisham
Liang Kok Siang
Surinderdeep Singh Mohindar Singh

BOARD NOMINATING AND REMUNERATION COMMITTEE

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

BOARD RISK MANAGEMENT COMMITTEE

Wang, ZongQuan (Chair)
Alan Hamzah Sendut
Liang Kok Siang

BOARD PROJECTS REVIEW COMMITTEE

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

BOARD TENDER COMMITTEE

Wang, YouDe (Chair)
Wang, ZongQuan
Alan Hamzah Sendut
Liang Kok Siang

BOARD WHISTLEBLOWING COMMITTEE

Liang Kok Siang (Chair)
Wang, YouDe
Alan Hamzah Sendut

SECRETARIES

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

Ong Wai Leng

(SSM PC No 202008003219 /
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 ADDRESS

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



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.



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.



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.



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.



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.



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

2021

25 May

62nd AGM

28 May

Unaudited financial results for the 1st Quarter ended 31 March 2021

27 August

Unaudited financial results for the 2nd Quarter ended 30 June 2021

26 November

Unaudited financial results for the 3rd Quarter ended 30 September 2021

2022

28 February

Unaudited financial results for the 4th Quarter ended 31 December 2021

26 April

Notice of 63rd AGM

25 May

63rd AGM

NOTICE OF 63RD ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Sixty-Third Annual General Meeting (63rd 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 (CCEC), Nexus Bangsar South City, No 7, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia (Broadcast Venue)** on **Wednesday, 25 May 2022** 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 2021 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, YouDe **(Ordinary Resolution 1)**
 - ii) Mr Alan Hamzah Sendut **(Ordinary Resolution 2)***[Please refer to Note (b)]*
3. 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 3)**
4. To approve payment of Non-Executive Directors' fees and benefits of up to RM2,300,000.00 for the period from 1 June 2022 until 31 May 2023. **(Ordinary Resolution 4)**
[Please refer to Note (c)]

NOTICE OF 63RD ANNUAL GENERAL MEETING

SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions:

5. **PROPOSED RENEWAL OF AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016** **(Ordinary Resolution 5)**

“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 (d)]

6. **PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK** **(Ordinary Resolution 6)**

“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 (e)]

NOTICE OF 63RD ANNUAL GENERAL MEETING

7. **PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE AND PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE** **(Ordinary Resolution 7)**

"THAT subject to the Listing Requirements, approval be and is hereby given for the Company to enter into recurrent related party transactions of a revenue or trading nature with the related parties as set out in Section 2.2.2 of the Circular to the Shareholders dated 26 April 2022 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 (f)]

8. 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 202008003219 / MAICSA No 7065544)
Company Secretaries

Dated this 26 April 2022
Kuala Lumpur

NOTES:

1. In view of the COVID-19 outbreak and as part of the safety measures, the 63rd Annual General Meeting (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's) TIIH 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 63rd AGM via the Remote Participation and Voting facilities (RPV) provided by Tricor via its **TIIH Online website at <https://tiih.online>.**

Please refer to the "Procedures for RPV" in the Administrative Guide for the Company's 63rd AGM and take note of Notes (4) to (16) below in order to register, participate and vote remotely via the RPV facilities. The Company may be required to change the arrangements of the AGM at short notice due to constant evolving COVID-19 situation in Malaysia. Kindly check Bursa Malaysia Securities Berhad's website and the Company's website at www.hrc.com.my for the latest updates on the status of the AGM.

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 18 May 2022** 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 TIIH 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, 26 April 2022 up to Wednesday, 25 May 2022.** Please follow the steps contained in the "Procedures for RPV" section of the Administrative Guide for the Company's 63rd 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 TIIH Online website at <https://tiih.online>. Kindly refer to the Administrative Guide on the procedure for electronic lodgement of proxy form via TIIH Online.

The last date and time for lodging the proxy form is **Monday, 23 May 2022 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 63RD 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 63rd 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 2021 (BEA 2021) 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 2022, the BNRC endorsed and recommended to the Board the re-elections of Mr Wang, YouDe and Mr Alan Hamzah Sendut as Directors of the Company.

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

- (i) He has the relevant mix of experience, skills, knowledge, expertise and core competency that is beneficial to the Company, including industry specific knowledge in oil and gas and its business strategy, project management and engineering, as well as commercial economics and scheduling;
- (ii) He shares personal knowledge and insights and provides useful recommendations to assist the Board in making decisions, probes the Management to ensure that varying opportunities and risks are considered, and the quality of information and assumptions are tested; and
- (iii) He devotes adequate time and attention to the discharge of duties and responsibilities as a director, participates actively in board activities and works constructively with his peers.

The BNRC supports the re-election of Mr Alan Hamzah Sendut as a Director of the Company for the following reasons:

- (i) He has the relevant mix of experience, skills, knowledge, expertise and core competency that is beneficial to the Company, including accounting and finance, internal controls, risk management, audit, regulatory compliance and human resource and development;
- (ii) He has good understanding of the roles, duties and obligations of a director, adds value to board meetings and takes initiative to request for more information; and
- (iii) He provides logical, honest opinions on issues presented without being afraid of expressing disagreement. He is also pro-active in discussing any concerns, exhibits openness and transparency.

Based on the recommendations of the BNRC and the considerations set out the above, the Board approved and supported the re-elections and re-appointments of Mr Wang, YouDe and Mr Alan Hamzah Sendut as Directors of the Company on 1 April 2022.

Mr Wang, YouDe and Mr Alan Hamzah Sendut 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 4

This resolution is to facilitate payment of Non-Executive Directors' fees and benefits for the period from 1 June 2022 to 31 May 2023.

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 2022 to 31 May 2023.

d. Ordinary Resolution No 5

The proposed Resolution No 5, 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 per cent 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 without 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 2016 which was approved by the shareholders at the 62nd AGM held on 25 May 2021 and will lapse at the conclusion of the 63rd AGM to be held on 25 May 2022. 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.

e. Ordinary Resolution No 6

The proposed Resolution No 6, if passed, will empower the Directors to purchase, on behalf of the Company, up to 10 per cent 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 26 April 2022 accompanying the Company's Annual Report for the financial year ended 31 December 2021.

f. Ordinary Resolution No 7

The proposed Ordinary Resolution 7 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 26 April 2022 accompanying the Company's Annual Report for the financial year ended 31 December 2021.

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 of the Notice of the 63rd AGM are as follows:

PROFILE OF WANG, YOUDE

Wang, YouDe

Non-Independent Non-Executive Director

Nationality / Age / Gender

Chinese / 59 / Male

Date of Appointment

22 December 2016

Length of Service

5 years, 5 months, 3 days (As of 25 May 2022)

Date of Last Re-election

28 May 2019

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

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

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

PROFILE OF ALAN HAMZAH SENDUT

Alan Hamzah Sendut

Independent Non-Executive Director

Nationality / Age / Gender

Malaysia / 62 / Male

Date of Appointment

25 May 2017

Length of Service:

5 years (As of 25 May 2022)

Date of Last Re-election

28 May 2019

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 in 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

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

Alan Hamzah Sendut 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 (d) of the Notice of AGM.



People & Leadership

HARNESSING THE STRENGTHS OF OUR **PEOPLE & LEADERSHIP**

2021 Strategic Direction

- Ensure the health, safety and well-being of all employees
- Benchmark remuneration to market levels
- Develop and nurture internal talents as future leaders of HRC
- Provide job security and shared future aspirations

— 01

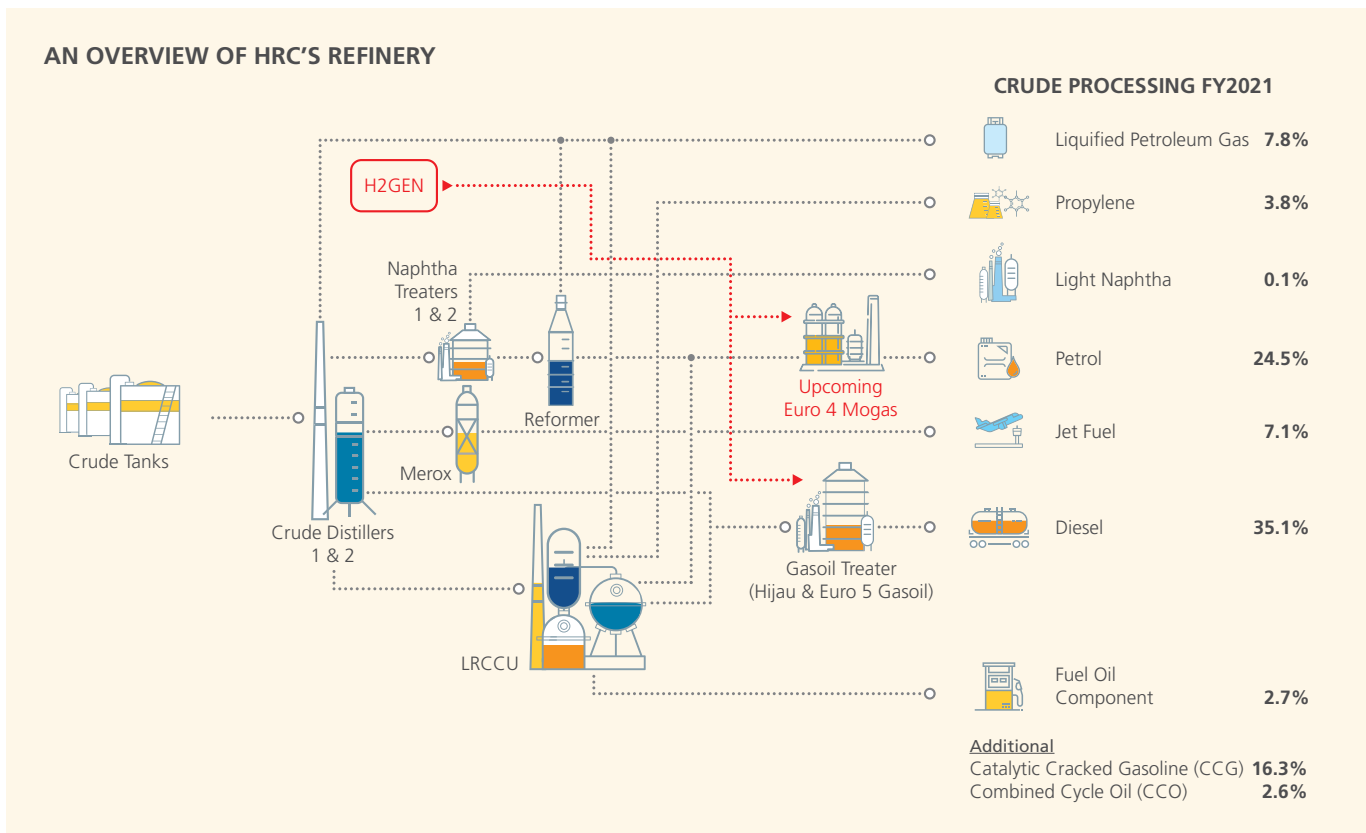
2021 ANNUAL REPORT





BUSINESS OVERVIEW

- Hengyuan Refining Company Berhad (HRC or the Company) stands tall as Malaysia’s third largest refinery in Malaysia, providing significant fuel needs for the country since 1963.
- Based in Port Dickson, Negeri Sembilan, HRC has been operating for nearly 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 licensed capacity to deliver 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 (Peninsular Malaysia) customers and exporting to vessels through our jetty to East Malaysia and oversea markets.



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 an E5G 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 are under construction and on track for completion in 2022.



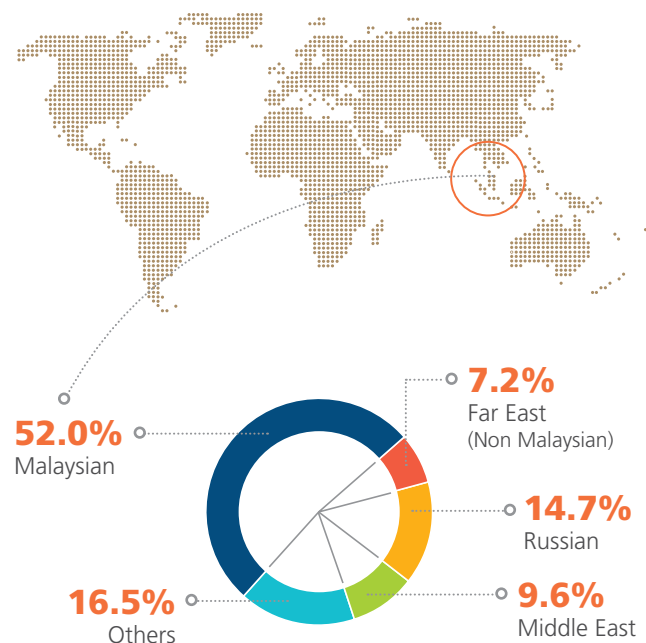
- We continue to focus on building more relationships with the crude supply network locally, regionally and globally to benefit from competitive pricing. To complement these diversification efforts, HRC has also implemented hedging tools and strategies to protect refining margins and inventory value the impacts of sudden crude price escalations.



See page 36 for Stateholder Value mitigation strategies.

- 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).

SOURCES OF CRUDE



OUR STRATEGIC COMPASS

The year 2021 has seen exemplary display of our core values in steadfastly achieving strategic goals amid continued challenges of COVID-19 disruptions. No matter what the circumstances were, we did not lose sight of our priorities and we continued to be resilient and operationally sustainable.

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
- Bringing People along the Journey (nurturing / developing)
- Making things happen together

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

RESPECT

- Care for each other
- Respect our stakeholders
- Diversity + Inclusion (ethnicity, faith, nationality, gender)
- Treat others as you want to be treated

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

OUR VISION

TO BE A LEADING GLOBAL ENERGY AND PETROCHEMICAL COMPANY, PIONEERING SUSTAINABLE SOLUTIONS

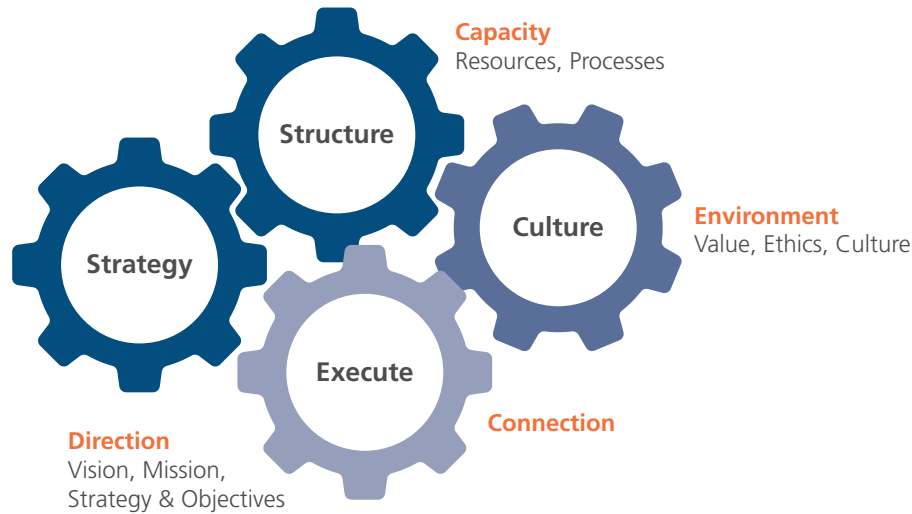
OUR MISSION

WE ARE COMMITTED TO SAFEGUARD OUR OPERATIONAL INTEGRITY, BE BOLD IN OUR INNOVATIONS, LEVERAGE THE STRENGTH OF OUR PEOPLE, AND TO MAXIMISE STAKEHOLDER VALUE



BUSINESS STRATEGY: OUR STRATEGIC FRAMEWORK

Catalysing culture, structure, strategy and execution, HRC continued delivering improvements to the set goals of BP 2021 even amidst a challenging year.



Under fresh leadership by our new CEO, Grant Gao, who joined us in August 2021, the HRC family was geared towards making the right connections in Direction, Environment and Capacity to Align Together towards our aspiration of becoming a leading global energy and petrochemical company, pioneering sustainable solutions.

The strategic framework that was introduced in FY2020, continued to provide much needed clarity and direction in helping us to build a more resilient work culture and operation. It remains our blueprint going forward.

	People & Leadership	<ul style="list-style-type: none"> Working with values Open and honest communication Employee engagement Retention 	<ul style="list-style-type: none"> Recognition Talent development Succession planning
	Operational Excellence	<ul style="list-style-type: none"> Reliability Effective work processes Cost efficiency 	<ul style="list-style-type: none"> Refining margin Product quality
	HSSE & Compliance	<ul style="list-style-type: none"> People safety Process safety Security Environment 	<ul style="list-style-type: none"> Health Sustainability Compliance
	Stakeholder Value	<ul style="list-style-type: none"> Shareholders Customers Investors Authorities 	<ul style="list-style-type: none"> Government Lenders Suppliers Neighbours
	Future Focus	<ul style="list-style-type: none"> Continuous improvement Investment projects Growth ideas 	



Operational Excellence

STAYING FOCUSED ON **OPERATIONAL EXCELLENCE**

2021 Strategic Direction

- Improve unplanned downtime (UPDT) and plant availability
- Heighten Product Quality Assurance towards Zero Product Quality Incident (PQI)
- Extend Office Automation across all departments towards improved efficiency

— 02

2021 ANNUAL REPORT





MARKET CHALLENGES

2021 GLOBAL MARKET LANDSCAPE¹

With markets emerging from lockdowns and rising vaccination rates, 2021 ushered in a year of economic recovery. According to the World Bank, global economic growth rebounded to an estimated 5.5 percent in 2021. At time of reporting, global energy demand is set to increase by 4.6% in 2021, more than offsetting the 4% contraction in 2020 and pushing demand 0.5% above 2019 levels. Almost 70% of the projected increase in global energy demand is in emerging markets and developing economies, where demand is set to rise to 3.4% above 2019 levels.

Malaysia's recovery to growth has been slower than expected with recording 3.1% gross domestic development (GDP) growth in 2021. However, expectations of recovery seems likely with economic analysts forecasting an average 6% GDP growth in 2022 and the reopening of travel and hospitality sectors globally. Local market demand for fuel has already improved since the Government eased interstate travel restrictions in October 2021 and have announced an assurance of not embarking on further full lockdowns having achieved high vaccination rates within the populace.

RECOVERY OF OIL PRICE

The improving economic environment supported a rebound in global oil demand of 5.4 mb / d, or 6% above 2020 levels. Crude oil prices increased in 2021 as global petroleum demand rose faster than petroleum supply. Brent's 2021 annual price averaged USD\$71 / b, the highest in the past three years. The slower increase in production was mostly attributable to OPEC+ decision to limit production throughout 2021.

Price Summary	2021	2020	2019
Brent Crude Oil (dollars per barrel)	70.60	41.69	64.34
Gasoline ^a (dollars per gallon)	3.00	2.18	2.60
Diesel ^b (dollars per gallon)	3.28	2.56	3.06
Natural Gas ^c (dollars per thousand cubic feet)	12.36	10.76	12.36

^a Average regular pump price

^b On-highway retail.

^c U.S. Residential average.

U.S. ENERGY INFORMATION ADMINISTRATION (EIA) SHORT TERM OUTLOOK



DOMESTIC OIL AND GAS CHALLENGES

The challenges that abound for the oil and gas industry in 2022 centre around manpower requirements, with market trends predicting the need for an upskilling of the workforce due to growing expectations of a more sustainable and digital future.

As the industry pivots to recovery, automation paves the way forward. Companies looking to digitalise and embark on technology advancements such as big data and artificial intelligence, will require skilled talent in these areas in order to improve productivity, efficiency and safety in a new dimension of business operations.

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 for a sustainable future.

¹ IEA GLOBAL ENERGY REVIEW 2021

FY2021 STRATEGIC REVIEW



People & Leadership

As the drivers of strategic performance, our people's wellness, capabilities and commitment anchor the Company's ability to meet set goals. Ensuring our employees continue to work for us for the long-term is crucial for the success of our business. For that reason, People and Leadership continue to be key priorities for HRC in FY2021. There was dedicated continuity in our employee engagement programmes though many of these were redefined accordingly to comply to the pandemic standard operating procedures (SOPs).

Recruitment and career planning strategies were executed to retain the right talent for our business, as turnover rates rose by 5.36% during the year. Exit interviews were actively conducted to better understand the reasons for leaving, following which mitigating actions were rolled out immediately. These involved relooking into our Employee Value Propositions (EVP), updating of remuneration policies, launch of a Leadership Development Programme (LDP), heightened training and development, and increased engagement with our new Chief Executive Officer (CEO) to enhance the sense of security and purpose by attuning all employees to the Company's forward looking plans.

STRATEGIC DIRECTION 1

Ensuring the health, safety and well-being of all employees

Despite ongoing COVID-19 fears and uncertainties, HRC upheld our core values, demonstrating strong support for the welfare of our employees during the year. We ensured their safety and wellbeing, as well as provided job security by maintaining all salary and benefits amidst a period of ambiguity.

Throughout the year, the Company continued to identify and implement multiple measures to keep employees protected and safe during the pandemic in every way possible. This included providing surgical masks and RTK self-testing kits for bi-weekly testing, allowing work from home for non-critical business activities and providing the flexibility of extending existing benefits towards new norm needs. For instance, during the year, employees could use their Wellness Coverage allowance for gym and fitness activities to purchase home wellness support items such as health-related equipment and ergonomic work-from-home furniture for themselves and their family members.

Putting safety first, we escalated vaccination awareness through a Myth & Fact Forum to encourage vaccination, and participated in the Government's nationwide Public-Private Partnership Immunisation Programme (PIKAS). These led to a successful Company-wide vaccination with almost all HRC employees fully vaccinated by August 2021.

Working to improve our Employees Value Proposition (EVP), HRC also enhanced employees' medical benefits during the year by linking up with a medical insurance provider to offer employees a wider pool of panel clinics and hospitals, as well as access to a premium top-up programme with competitive rates specially designed for HRC employees.

STRATEGIC DIRECTION 2

Benchmarking remuneration to market levels

Our employee rights, wellbeing, welfare and assurance of fair equitable treatment are anchored through adherence to Employment Act, and the Company made regular improvements to our Human Resource and Health, Safety and Environment, as well as various remuneration policies.

We ensure that our salary, remuneration and benefits are always at par with industry standards, and that proper compensation is provided to show how we value our employees' time and commitment. The Company believes that when employees feel valued, they feel better about coming in to work and motivated to deliver better results. This improves overall company morale.

In FY2021, the following policies were updated to meet this objective:

- Pay As You Go Policy: pertaining to the issuance of performance bonus for leavers such as retirees, and end of contract staff. The updated policy now provides a clearer remuneration guideline for employees upon retirement.
- Inconvenience Allowance and Time Off In Lieu Policy: pertaining to proper compensations for employees who were asked to be on duty during their day off or rest days. This reflects appreciation for their commitment to work beyond regular working hours.

FY2021 STRATEGIC REVIEW

STRATEGIC DIRECTION 3

Develop and nurture internal talents as future leaders of HRC

Training and development for our employees continued to be a priority. There was an escalation of online training classes, encompassing both technical and non-technical skills, to cater to the increased number of work-from-home personnel. During the year, our employees benefitted from a total of 16,632 training hours, an average of 48.49 hours per employee.

A new Leadership Programme (LDP) was launched during the year to recognise talents with the potential to serve as future leaders in the Company, and to equip them with the required leadership skills through a structured two-years training programme. This is a win-win initiative that serves to provide a clear career progression plan for talented employees while ensuring seamless succession planning within HRC whereby any vacancies in leadership role at all levels can be immediately filled internally.

As part of the LDP, a Company-wide employee assessment exercise was completed during the year and twenty talents were identified by HRC's management team. Due to the pandemic disruptions experienced in FY2021, trainings set under the LDP only began in FY2022 and will continue through FY2023.

STRATEGIC DIRECTION 4

Provide job security and shared future aspirations

Realising that employee engagements required greater attention amidst pandemic disruptions, a key initiative was taken to create better interaction between management and respective departments in HRC. With our new Chief Executive Officer on board in August 2021, plant visits and department to department interaction sessions were arranged in line with new normal protocols. The sessions focused on providing employees greater certainty of the Company's direction and future plans, thus enhancing a stronger sense of teamwork, shared aspirations and job security going forward.

2022 People & Leadership Priorities:

- Initiate Training and Development Plan for FY2021's LDP
- Increase employee engagements frequency while adhering to the necessary COVID-19 SOP



For more details on our Human Resource initiatives, please refer to page 50 of our Sustainability Report 2021.



Operational Excellence

The refinery continues to focus on operational excellence through improved reliability and quality delivery. Good performance on both fronts were recorded in FY2021.

Understanding that a plan is only as good as the people who drive it, HRC has advocated a competitive mindset to nurture proactive and responsive action. This was anchored by the core values of Integrity, Collaboration, Accountability, Respect and Entrepreneurial launched in FY2020. The internalisation of these values demonstrated a stronger culture of responsibility and teamwork which has enabled us to make a good headway on HRC's Reliability Plan in FY2021.

STRATEGIC DIRECTION 1

Improve unplanned downtime (UPDT) and plant availability

Good reliability is a key indicator as it assures the plant always runs at an optimal level and is ready to support commercial strategies with agility and with minimal unexpected downtimes or shutdowns. HRC's ongoing improvements and focus on defect and obstacle limination heightened the year's operational performance. In FY2021, we achieved 96.9% plant availability, which is the highest we ever recorded since FY2018.

This was credited to strong team performance, united by a more mature Site Committed as One (SCONE) culture and guided by a good reliability framework that provided direction for proactive reliability improvements as well as clear alignment of responsibilities in overcoming threat issues.

The following highlights were pivotal in ensuring plant reliability performance:

- The development of the Reliability Plan that spans 2021 to 2024, to achieve continuous reliability improvements for the refinery, based on historical incidents with the aim of preventing similar recurrences in the future.
- Monthly dedicated tracking of proactive and reactive workstreams by a multi-disciplinary Reliability Steering Committee (RST).
- Rejuvenation and consolidation of a site-wide Asset Master Plan (AMP) to better manage obsolescence through proactive management of equipment and parts.
- Reliability Centred Maintenance (RCM) change process health check that entailed an audit checklist development and timely execution of audit. RCM trainings were also conducted for the Reliability team and other Engineering disciplines.
- More hands-on training by experienced supervisors and technicians for the junior technicians so that proper technology transfer can improve rework at the workshop.

Steadfast commitment to these reliability initiatives led to UPDT decreasing to 2.5% in FY2021. This was a significant improvement compared to the UPDT performance in previous years.



For more details on our Reliability Management Framework and Reliability Plan initiatives, please refer to page 25 of our Sustainability Report 2021.

STRATEGIC DIRECTION 2

Heighten product quality assurance towards Zero Product Quality Incident (PQI)

We maintained solid performance in product quality giveaways (PQGA) whereby the quality of products sent to customer continued to exceed the specified requirements. In fact, HRC's FY2021 PQGA performance was our historical best when compared to the previous five years.

There were no major issues nor high and medium risk PQI during the year even with the transition from E2M diesel to Euro 5G in the first quarter of FY2021, we also successfully commissioned dual mode blending (high sulphur and low sulphur), which has significant economical upside to HRC, with no significant PQI.

All product quality targets were met at HRC's laboratory too. The continued adoption of the lab testing assurance programme ensured the quality of lab testing is at par with industry standards. Towards continuous improvement, the lab has begun collaborating with other refinery laboratories for better learnings and assistance, and is exploring more automation to improve accuracy of results and reduction of testing time.



For more details on our product quality, please refer to page 23 of our Sustainability Report 2021.

STRATEGIC DIRECTION 3

Extend Office Automation across all departments towards improved efficiency

In FY2021, office automation across all departments reached over 90% completion as part of the Business Process Management (BPM) plan. This entailed making all work process related forms and procedures available online for easier access and applications.

The migration of IT services and data into the cloud has also kicked off with about 85% completion during the year. Through this migration, we will soon be able to manage our IT infrastructure remotely with minimal security risk, minimised inconvenience and cost of maintaining on-premise hardware. This move ensures HRC's ability to deal with escalations in online demand and remote working, ensuring readiness for increased business agility and flexibility in the near future.

2022 Priorities

- Champion asset reliability and integrity management
- Inculcate cost leadership culture
- Focus on digitalising work processes to increase efficiency and productivity
- Encourage pursuit of margin improvement tactics

FY2021 STRATEGIC REVIEW



HSSE & Compliance

HRC's HSSE & Compliance goal is to make safe operations safer every day. Quality, Health, Safety, Security and Environment and Social Performance (QHSSSE & SP) are integral disciplines embedded 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.

The health and safety of our people continue to be the main focus in FY2021. Through consistent efforts in nurturing a safety mindset, HRC achieved 6.9 million manhours without Loss time Injury (LTI) as of 31 December 2021, whilst maintaining Zero Total Recordable Case in all of our projects.

Another important priority for the year was the ability to transition seamlessly within the new operating norms. As we cannot determine how long the COVID-19 pandemic would remain as a risk to our economy and society, the HSSE priority in 2021 was to remain vigilant in ensuring that our employees are not exposed to the threats of COVID-19 at site. HRC's success on this front is a credit to our robust Business Continuity Plan and stringent COVID-19 preventive measures.

STRATEGIC DIRECTION 1

Sustain Personal Safety towards Goal Zero Safety Performance

We remain mindful that building a safety culture is an on-going process and thus, we have established the following initiatives to help create constant awareness of our safety goals. Due to the pandemic disruption, some of these initiatives have been transformed to virtual events and new channels have been introduced.

- **Assurance Walks:** For health and safety reasons, assurance walks such as Leadership Team (LT) "Turun Padang" and Goal Zero Walks were held at a pre-determined schedule during the year. The LT "Turun Padang" is an important element for visible safety leadership and serves as a pulse check on the current health of our HSSE standards implementation on site. It also creates an opportunity for leaders to engage with employees and contractors on HSSE matters. The Goal Zero Walk was centered on different themes of key process assurance such as Process Safety Field Observation; Ensure Safe Production & Process Isolation; and COVID-19 Health Check & Compliance, among others.

- **Safety Campaigns:** For FY2021, we introduced new campaigns and initiatives to highlight safety issues such as Slip, Trip & Fall Campaign - Double Lanyard Implementation (when working from heights), Ideal Workstation Awareness Campaign (to promote adoption of ergonomic workspaces at home) and Risk Assessment Matrix (RAM) Refresher & Familiarisation to update HRC's distinct safety language across the Company. Although the annual Safety Day event was rescheduled to January 2022, preparation works and smaller scale activities that led up to the annual event went on as planned.
- **Intervention:** Entering its second year, the monthly CEO HSSE Award continued to encourage on-site intervention through Near Miss Potential Incidents (NMPI) reporting. A total of 5,273 reports were received for the year, which was commendable given the disruption of Assurance Walks due to COVID-19, NMPI not being a key performance indicator, and the fact that there were no turnarounds scheduled.
- **Communication:** The in-house QHSSSE e-newsletter "UNZIPPED" was published twice in 2021 to share information pertaining to HSSE matters, updates on upcoming initiatives, short surveys, tips, and safety reminders. For external stakeholders, publicly available information was curated jointly with the Department of Occupational Health and Safety (DOSHS) through its CIMAH (Controls of Industrial Major Hazard Regulation 1996) newsletter. CIMAH states the need to communicate major hazards present at our site and our community safety protocols to our fenceline community every three years.
- **Training Programmes:** About 26 training sessions covering Emergency Response drills and HSSE training were conducted during the year for 392 participants. These included:
 - An online training session on Incident Command System (ICS) for employees from various departments at all levels. This is in preparation for effective management of incidents, including understanding the role and functions of the command team.
 - A major on-site emergency response drill with BOMBA was held once the lockdown was lifted to maintain HRC's emergency preparedness and responsiveness.
 - As part of the new normal workflow, Virtual Safety Induction Training for visitors and vendors was implemented to ensure our goal of No Harm to People extended to all who visited our worksite.

STRATEGIC DIRECTION 2**Maintain a safe environment for the workforce with transition into endemic protocols.**

HRC's New Norm Committee continued to be of service in helping to set stringent protocols and guidelines for smooth business continuity amidst the challenges caused by the pandemic and the emergence of the Delta and Omicron variants. In total, 50 Employee Information communication on pandemic risks and actions, and up to 25 new normal protocols were rolled out since the New Norm Committee was established in FY2020.

Some of the new COVID-19 New Normal Culturation & Protocols that were introduced in 2021 include:

- Protocol to submit valid RTK / PCR screening results before entering HRC premises
- COVID-19 Department Self-Evaluation
- Establishment of a Company directive on Vaccinated and Non-vaccinated entry management to HRC
- Make or Break (MOB) Protocols 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
- Compliance to bi-weekly testing

In addition, to help accelerate the national vaccination rate, the Company provided strong encouragement by organising The Myth & Fact Forum on Vaccination for all employees on May 2021. This was a prelude to HRC stepping up as one of the first few companies in Negeri Sembilan to participate in the PIKAS programme. Nearly all HRC employees were fully vaccinated by August 2021.

In May 2021, when COVID-19 infections were on the rise, these safety protocols helped to manage the spread of infections as positive cases were detected among several HRC contract workers and a few employees. All the required measures were implemented immediately. The good cooperation with contractors, Health District Office and other relevant government officials ensured a well-controlled isolation and quarantine process. As a result, we avoided critical cases and controlled the infection from spreading further.

STRATEGIC DIRECTION 3**Heighten the Company's maturity in Process Safety Excellence**

A more structured Process Safety Management (PSM) framework, charting a multi-year journey towards achieving Process Safety Excellence by 2023, was developed and operationalised in April 2021 to bring all 20 existing work processes under a united umbrella. The framework is designed to help HRC manage the integrity of our operating systems and processes that handle hazardous material.

We rolled out the first stage of HRC's refreshed PSM framework with three series of virtual engagements to build awareness and understanding. This was followed by a major improvement on Process Knowledge Management in understanding hazards and risks.

The primary objective of the PSM is to maintain accurate, complete and comprehensive information that can be accessed on demand via the Document Matrix through HRC's intranet. Information provided included:

- A full list of process knowledge documents;
- Assigned custodian of each document;
- The required reviewers; and
- Storage location of the document

Site Causal Learnings for all incidents and quarterly Learnings From Incident (LFI) continued to be held so that lessons can be learnt to identify causes of incidents, improve responses, and prevent recurrence.

There was one Process Safety Event (PSE) recorded in January 2021 involving a Kero Minus leak that exceeded the API Tier 2 threshold. The leak was immediately identified and repaired with learning outcomes 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 page 35 of our Sustainability Report 2021.

STRATEGIC DIRECTION 4**Achieve all compliance and enhance environmental scorecard**

On the compliance front, achievements included the issuance of a new Integrated Management System (IMS) manual (combining standards for ISO 45001, 14001 and 9001) and the successful completion of external audits by SIRIM on these standards in relation to QHSSE as well as two others. This supports HRC's efforts to maintain standards on par with industry best practices.

FY2021 STRATEGIC REVIEW

2021 Certification Achievements

Zero non-conformity findings and zero opportunity for improvements (OFIs)

- ISO 9001 - Quality Management Systems
- ISO 14001 - Environmental Management Systems
- ISO 45001 - Occupational Safety & Health Management System

2 OFIs each were recorded for the following certifications:

- ISO 27001 - 2013 Information Security Management System
- ISO 37001 - 2016 Anti-Bribery Management Systems

Moving forward, we are making mindful progress towards a cleaner energy future through compliance to government environmental and fuel regulations. Through ongoing and completed key investment projects, HRC continues to monitor and improve the quality of air emissions coming from our refinery operations, and grow capabilities in producing cleaner fuel with reduced sulphur and carbon emissions.

All matters related to environment are reported to the Environmental Regulatory Compliance Management Committee (ERCMC) towards better responsiveness to environmental issues. The ERCMC members are tasked to actively monitor compliance status of applicable environmental regulations, outcomes of environmental monitoring and audits, introduction of the enhanced public complaints framework and status of key environmental projects. One of the proactive steps taken by the ERCMC has been the commissioning of a live stack emission online monitoring system through collaboration with the Department of Environment (DOE). The system ensures all emissions are well below the limit and that any excursion due to plant upsets are mitigated quickly.

Good management of natural resources is also our way forward towards a sustainable future. Several initiatives on this front for FY2021 included:

- Continuous tracking of water usage to optimise water consumption at specific high-consumption equipment and maximise the recycling of water in refinery boilers and cooling towers.

- Ensuring our effluent water continues to comply to all the parameters under the Environmental Quality (Industrial Effluent) Regulations 2009. In FY2021, we made good progress and recorded our best oil in effluent quality level in recent years.

- During the year, to encourage environmental mindfulness within our team, we participated in an E-Waste Recycling Environmental Campaign entitled "Recycle for the Life Cycle" in conjunction with Hari Alam Sekitar Negara 2021. Organised by the Department of Environment (DOE), it involved recyclable electrical waste collection from several departments in HRC as well as household E-waste from HRC staff. Through this combined effort, HRC gathered almost 1 tonne of E-Waste. The exercise helped create awareness of the monetary value that can be gained from responsible recycling of electrical waste, as opposed to spending money to dispose them as Scheduled Waste (hazardous waste).

- We also completed modification works for scheduled waste storage with the construction of a sump for collection of spillage, levelling of floor and internal drainage, as well as repair of a rain gutter to avoid flooding.

2022 Priorities

- New Normal Culturisation for COVID-19 Response and Assurance
- Compliance to new way of developing Pre Incident Planning (PIP), conducting drills and Fire Fighting Equipment Maintenance (FFEM)
- Intensive training to increase competency based on Training Needs Analysis (TNA), including for contractor supervisor, to refresh skills after the pandemic disruption



HRC's 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.



FY2021 STRATEGIC REVIEW



Stakeholder Value

Most of the initiatives intended to deliver sustainable value to our shareholders, investors and community were sustained through FY2020 and FY2021. These 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 are 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 optimisation to increase margins and overall product value

We faced uncertain demand in FY2021 as pandemic lockdowns continued to be implemented throughout the year. HRC's commercial team worked hard to mitigate costs and capturing windows of opportunity to grow margins.

Adhering to HRC's Business Improvement Plan (BIP) strategies, we maximised commercial value through product cracks and inventory hedging strategies. Greater agility in production planning was also executed, whereby production was reduced when margin was not favourable and maximised when demand picked up again.

For instance, as jet fuel demand remained low in FY2021 due to reduction in air travel, HRC normalised processing of jet fuel components and produce diesel instead, in line with the communities' and market's needs at that time. When a new gasoil specification with lower sulphur content was mandated in Malaysia on 1 April 2021, we managed our Combined Cycle Oil (CCO) sales effectively to favorably reflect CCO value when pooled as Fuel oil. So, though challenged by the limits of our gasoil desulphurisation capability, we managed to opportunistically advance sales of this new gasoil specification and benefitted from higher price gains.

As market demand improved in the second half of the year, our total production volume increased by 1.8 million barrels to 36 million barrels with production rate ramped up in tandem with demand and product cracks improvement to capture higher refining margins.

During the year, HRC's commercial team also managed to secure a five-year term renewal for crude oil supply at a competitive value with better working capital and extended payment terms. This was made possible by leveraging on the good relationship we have built with our established partner.



For more details on our Production achievements, please refer to page 27 of our Sustainability Report 2021.

STRATEGIC DIRECTION 2

Enhance Supply Chain quality, reliability and efficiency

Having embedded due diligence practices in selecting reliable vendors of good repute, HRC did not experience any significant supply chain disruptions during the year. Though some challenges were faced on the local front when lockdowns were imposed, these were easily overcome due to the good partnership and cooperation that we have forged with our vendors.

In FY2021, we intensified our search for more competitive bids for materials and services sourcing, by widening our selection of vendors, both domestic and international. To this end, there was a marked reduction in single source contracts in FY2021 to ensure the Company benefits from competitive gains of an open tendering system.

We heightened our tendering processes, harnessing electronic tendering and e-contract management system capabilities to increase efficiencies in the procurement process. Another initiative that proved fruitful was the roping in of expertise from HRC's technical departments in evaluating and deciding on the best competitive offer of the right quality product. Utilising vendor resources of our major shareholding company in China, we made headway in receiving more competitive international offers.

It is to be noted however, that in line with HRC's commitment to provide employment opportunities locally and in optimising cost savings, Malaysian suppliers were targeted for a wide selection of service contracts, such as in providing labour services to the Company's key projects. The number of contracts awarded to Malaysian suppliers increased in FY2021 also due to the impact of the global pandemic which created delays and higher cost in international supply chains.



For more details on our Supply Chain Management, please refer to page 21 of our Sustainability Report 2020.

STRATEGIC DIRECTION 3

Continuous engagement with external stakeholders and through corporate social responsibility (CSR)

In view of Malaysia’s movement control order restrictions imposed in 2021, HRC’s physical engagements with stakeholders were limited during the year to keep our stakeholders safe. However, feedback and announcement channels were kept open and accessible to ensure communication was not compromised. Pre-operational activities notification practices were ongoing whereby notification texts were distributed to all relevant local authorities, fenceline community representatives and residential areas surrounding our refinery. This ensured that the community remained informed and aware of our activities at all times.

Through our well publicised community feedback mechanism and updated Public Complaints Frame Work, members of the public could safely and easily get in touch with us. During the year, there was only one public complaint received about noise coming from the refinery due to the start-up of our process units after an unplanned trip. The complaint was quickly addressed and resolved.

The Company’s annual festive contributions and meetings with selected stakeholders were conducted with proper SOPs in place with all preventive measures taken. 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, albeit at a smaller scale than before.

At all times, HRC was responsive to the needs of fenceline communities and critical stakeholders in times of need. We collaborated with the Fisheries Department Port Dickson to assist 178 fishermen whose livelihoods were impacted by the COVID-19 pandemic, through the provision of fishing supplies, medical kits and torchlights. We also contributed test kits, hand sanitisers and thermometers to the local police department as part of social welfare support to frontliners during the COVID-19 pandemic. Towards the end of 2021, when the country experienced devastating floods, one of our fenceline communities (Kampung Paya) was impacted. HRC responded with urgent food aid contribution to the people affected by the flood.

 For more details on our Community Engagement initiatives, please refer to page 58 of our Sustainability Report 2021.

2022 Priorities

- Capture good value Malaysian crude oil at competitive rates
- Diversify our pool of vendors
- Continue to engage external stakeholders
- Continue to protect refinery margins



Future Focus

Among the goals under the Future Focus strategy is to ensure that our refinery continues to run efficiently. 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 on track, HRC has started to focus on preparation works for the major turnaround in May 2023. Proper planning is crucial to ensure maximum repairs and upgrades can be done within the planned timeline and that the refinery will run safely and reliably until the next turnaround.

Another significant change for a better and more efficient future are the digitalisation efforts that have been steadily advanced in 2021 and will continue to escalate in the coming years.

FY2021 STRATEGIC REVIEW

UPDATES ON KEY INVESTMENT PROJECTS



EURO 5G (E5G)

CONTEXT: The Malaysian Government deferred the mandated implementation date for Euro 5 Gasoil specification compliance from 1 September 2020 to 1 April 2021.

The implementation of Euro 5 gasoil will improve the air quality status as the fuel is cleaner with a reduced sulphur content of 10 parts per million (ppm) from 500 ppm.

CURRENT STATUS: HRC met the deadline and started rolling out supply of on-spec product from March 2021.

This project was fundamental to our business as it was crucial to meet new requirements of the Environmental Quality Regulations 2015 with Phase-1 compliance set for 1 April 2021. The start-up of E5G production during the year under review delivers on HRC's goal to assure a sustainable foundation for profitable future business, while ensuring the overriding sustainable goal of further improving air quality.

Furthermore, our current E5G capabilities has enabled the refinery to refine higher sulphur crudes to lower sulphur diesel, which could potentially produce higher refining margins. Upon completion of the H2GEN project, HRC will be ready to implement Phase-2 and Phase-3 E5G specifications for even cleaner fuel with less carbon emissions.



EURO 4M (E4M)

CONTEXT: The E4M project is crucial for the sustainability of the business to meet the local product specification requirements. The plant, which will have a capacity of 1.15 million tonnes per year, will use a combination of hydro-processing and liquid-liquid extraction technology. This has been applied successfully by the licensor at various operating plants in China.

CURRENT STATUS: Despite the challenges and setbacks caused by the COVID-pandemic lockdowns, construction works on our E4M project is on track. We are determined to complete the Euro 4M project by the second quarter of 2022.



H2GEN

CONTEXT: Post implementation of both E4M and E5G projects, HRC will be short of hydrogen to desulphurise Mogas and Gasoil components which would result in loss of product margin. The H2GEN project is developed to provide hydrogen by taking Natural Gas as feedstock.

CURRENT STATUS: Currently the project is in the commissioning stage having overcome the challenges of receiving materials, supplies and specialists from overseas due to the pandemic disruptions.

STRATEGIC DIRECTION 1

Enhance plant productivity upon completion of Major Turnaround 2023 (MTA 2023)

HRC's major turnaround is planned for May 2023 and preparations have begun in earnest in FY2021. 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.

By prolonging the refinery's Major Turnaround to a five-year cycle, HRC has been able to increase our productivity and competitiveness. The team has worked closely with DOSH from Federal and State levels to ensure all requirements for the turnaround extension were met and going forward, we target to repeat this five-year cycle for the next turnaround too.

Meanwhile, HRC is maintaining good performance in driving the goals of the Reliability Management Framework and Asset Master Plan to ensure that threats to our equipments and assets are proactively being identified and reported for better MTA 2023 scope planning.

STRATEGIC DIRECTION 2

Further our digitalisation journey to improve business scalability and agility

HRC's digitalisation journey is set to be accelerated now that the office automation platform is nearing full completion. The next step in heightening Business Performance Management (BPM) via digitalisation is to integrate all workflow applications towards enhanced project management collaboration. A targeted improvement is to develop a single sign-in procedure to allow employees to access all available data by using one single log in credential.

Leveraging on the planning done in FY2021, we will be extending cybersecurity and IT infrastructure enhancements across HRC's office and refinery site. The groundwork for business agility transformation is also being laid to facilitate business responsiveness to changing requirements. We also intend to further leverage on Cloud application platforms in FY2022 in order to better support our business evolution needs.

2022 Priorities

- Drive for the best scoping for the Major Turnaround exercise in 2023 to ensure a successful implementation
- Integrate Information Technology with Operational Technology towards Business Digitalisation Transformation

FINANCIAL REVIEW

MARGIN AND FINANCIAL PERFORMANCE

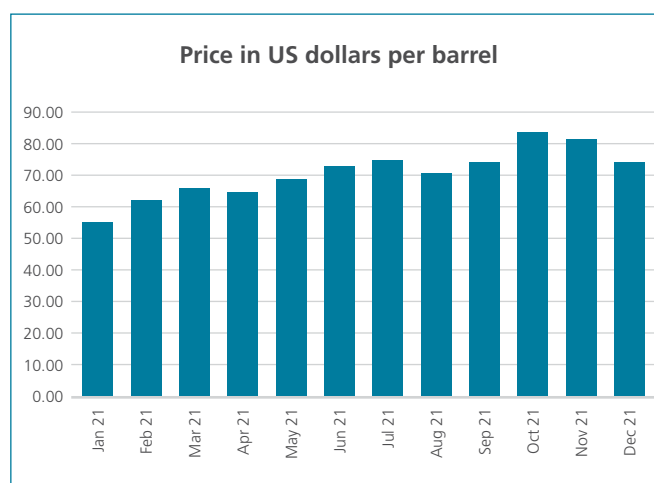
In the year under review, HRC registered a profit after tax of RM82.7 million compared to the previous financial year which reported a profit after tax of RM251.0 million. Refining margins and crude prices continued to remain volatile during the year resulting in a full year average Current Cost of Stock margin (CCS) of USD3.44 / bbl (FY2020: USD5.23 / bbl) and gross profit margin of USD7.23 / bbl (FY2020: USD 2.68 / bbl) including the effects of crack swaps. Further analysis of the financial performance is as follows:



Revenue and Gross Margin

HRC recorded a revenue of RM12.0 billion in FY2021 compared to the revenues of RM7.2 billion in FY2020. The increase in revenue of RM4.8 billion or 67.3% were attributed to higher price and sales volume. Higher sales volume was primarily supported by the improved product cracks and better crude processing margin as the oil demand picked up amid the improved COVID-19 situation across many countries.

BRENT OIL PRICE



In FY2021, the price of Brent crude oil averaged at USD71 / bbl, USD29 / bbl higher than its FY2020 average. Crude oil prices increased in 2021 in tandem with increasing COVID-19 vaccination rates, loosening pandemic-related restrictions, and a growing economy resulted in a spike in global petroleum demand. Global petroleum production increased more slowly than demand, driving higher prices. The slower increase in production was mostly attributable to OPEC+ crude oil production cuts that started in late 2020.

Stockholding gains / (loss) for FY2021 (including the effects of commodity swaps) were USD0.39 / bbl (2020: (USD0.50) / bbl).

The hedging strategy undertaken by HRC has protected the Company's gross profit margin from eroding although the Company faced challenging external factors such as market volatility and COVID-19 restrictions in Malaysia.

FINANCIAL REVIEW



Income and Expenses

In FY2021, as compared to FY2020, HRC recorded a 3.3% increase in its annual sales volume, which combined with higher refined product prices, contributed to the higher gross income. The exceptional refining margins experienced in Quarter 4, 2021 with the oil demand picking up positively contributed to the good performance of the Company. Manufacturing expenses and finance costs were lower compared to FY2020 as a result of company-wide cost optimisation initiatives. However, HRC recorded a net foreign exchange loss in the year with mitigation efforts to minimise fluctuation exposure of Ringgit Malaysia against the US Dollar via foreign currency hedging for crude purchases.

The increase in tax expense was due to under-provision of tax liability in prior years from the tax audit assessment which reduces the unutilised tax losses brought forward, and consequently to the deferred tax assets recognised.

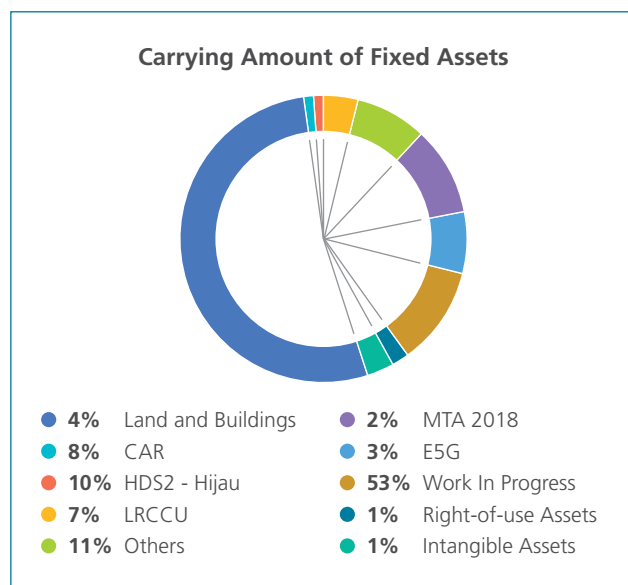
The overall impact resulted in profit after tax decreasing by 67.1% or RM168.3 million as compared to FY2020.



Total Assets and Liabilities

Total assets increased by RM1.0 billion or 21.9% from the previous financial year. Details of total assets of RM5.5 billion in FY2021 are set out below:

- Carrying amount of fixed assets i.e. property, plant and equipment, intangible assets, right-of-use assets of RM2.0 billion comprises:



- The valuation basis of these assets is as stated in our accounting policies.
- The Company's current assets comprise of derivatives that have maturity of less than 12 months, inventories, receivables and cash. Current assets have increased from RM2.5 billion to RM3.4 billion, an increase of 39.7% as compared to FY2020. The increase is mainly attributable to increase in inventory and receivables as at year end. Inventory balances as at current financial year increased by 49.5% or RM520.9 million whereas receivables balances increased by 100.2% or RM514.3 million, both attributed by the increase in global oil prices.

Total liabilities have increased by 47.2% or RM1.1 billion from RM2.3 billion to RM3.4 billion in FY2021. Further details are set out below:

- Current liabilities comprise mainly of payables, derivatives with maturity of less than 12 months, revolving credit, and a portion of lease and term loan balances that are repayable within the next 12 months. Trade payables mainly relates to payables for crude purchases and payables relating to capital expenditure. Trade payables are higher in FY2021 due to higher price of crude purchased as at year end.
- Non-current liabilities comprise of leases, term loans, deferred tax liabilities and derivatives with maturity of more than 12 months. Term loans are repayable over 13 months, denominated in USD and are secured by way of charges on the Company's assets.



Cashflow

Cash generated from operating activities was utilised mainly for capital investment purposes for projects including E4M, E5G and Hydrogen Manufacturing Unit (H2GEN), and to reduce interest expense through optimising loan utilisation. Hence, the cash balance as at the end of the year was lower at RM584.5 million compared to RM683.8 million in FY2020.








Dividends

The Board of Directors assesses the cash flows prior to declaration of dividend in compliance with the Companies Act 2016. The Board has formed a view that it would not be prudent for the Company to declare dividends at this juncture, given the completion of large projects and volatility of the market. Hence no dividends have been declared for the financial year ended 31 December 2021. The Board will continue to review the dividend prospects taking into account long-term value creation for its shareholders.

FY2021 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 2021 which is available on our website at <http://hrc.com.my/sustainability-report.html>.

KPI SCORECARD		2021	2020	2019	2018	2017
 SAFETY	Lost Time Injuries (LTI)	0	1	0	0	0
	LTI Free Manhours Worked	6.9	3.0	10.1	5.6	2.0
	Process Safety Events (API Tier 1)	0	1	0	1	1
	Process Safety Events (API Tier 2)	1	2	2	0	2
	First Aid Cases (FAC)	2	6	6	11	5
 PRODUCTION & RELIABILITY	Operational Availability %	96.9	95.4	96.3	79.4	97.4
	Unplanned Downtime (UPDT) %	2.5	4.6	3.7	3.1	2.3
	Production Volume (million bbl)	35.0	34.2	38.8	32.5	39.7
 MARGIN & FINANCIAL PERFORMANCE	Refining Margin (FIFO) (USD / bbl)	7.2	2.7	3.3	3.0	8.4
	Sales Volume ('000 bbl)	36.3	35.1	41.9	35.2	41.1
	Revenue (RM billion)	12,006	7,176	12,637	11,241	11,583
	Profit After Tax (RM million)	83	251	35	31	930
	Cash Generated From Operations (RM million)	224	435	1,259	380	477
	Quick Ratio	0.6	0.9	0.8	1.0	2.5
 RETURN ON INVESTMENT	Shareholders' Funds (RM million)	2,052	2,168	2,011	2,022	1,789
	Earnings Per Share (sen)	28	84	12	10	310
	Return on Average Capital Employed (times) (EBIT / (Average total assets-average current liability))	0.1	0.1	-	-	0.4
 SUSTAINABLE DEVELOPMENT	Energy Intensity Index (EII)	113.1	116.9	110.9	111.7	111.5
	Effluents – Average Oil in Water Concentration (avg mg / l)	0.6	1.7	1.0	1.0	1.2
	Waste Management					
	• Effluent Treatment plant (ETP) Sludge (MT)	196	328	305	184	663
	• Spent Oil Water Emulsion (MT)	774	1,102	1,374	2,175	1,794
	Public Complaints	1	10	5	3	5
	Social / Community Project Investment (RM'000)	26.2	19.6	66.2	68.8	41.9

RISKS & OPPORTUNITIES

HRC has in place a robust risk assessment matrix that captures all significant risks and opportunities which is reviewed on a quarterly basis by the Management Team and the Board of Directors via the Board Risk Management Committee. This enables HRC to identify and assess the Company's risks and prepare mitigation plans in advance to ensure capability to manage any risk which arises.

RISKS

Asset Integrity

The oil refining business has several inherent risks associated with personal and process safety and asset integrity, among others. HRC applies and continues to enhance best practices to manage all these risks.

Project Risks

All HRC ongoing projects include risk assessments and technical and construction risk mitigations. HRC expects to complete and commission all major key projects as scheduled.

Margin and Commercial Risks

As an independent refinery, HRC is exposed to oil refining margin and oil price fluctuations which are beyond HRC's control. To mitigate such risks, HRC has taken initiatives to selectively hedge against crude price and refining margin fluctuations together with inventory hedging to manage exposure to sudden oil price changes. HRC also understands that to remain in business and to reduce reliance on a single customer is key for the refinery's survival. Therefore, in recent years HRC has actively developed sales to various oil and gas players in the market, both domestically and internationally.

Environmental Related Risk

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 Climate Change as a relevant long-term risk, therefore, climate change risks from HRC's operations are now included into the risk register to be closely monitored. In FY2022, HRC intends to start conducting quarterly GHG emissions accounting with the aim of analysing trends more closely and as much as practical, minimise any potential risks quickly.

OPPORTUNITY

Cleaner Energy

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 2022

Demand for oil is on a recovery trend due to the reopening of international travel and escalation in market activities. However, oil prices remain unpredictable given the third wave of the Omicron virus, which has been named by the World Health Organisation (WHO) as a Variant of Concern (VOC)². Crude prices are still forecasted to head higher in 2022 due to industry observations that most oil producers can only plan on delivering modest production growth in 2022, even in the face of increasing demand. The Organisation of the Petroleum Exporting Countries (OPEC) has maintained its tight grip on supply with several member nations facing unexpected production challenges.

With demand expected to recover to pre-pandemic levels later in 2022, the oil market will likely remain tight. This dynamic sets the stage for a potential price spike if the industry experiences a major supply disruption, with the possibility of prices topping USD\$100 a barrel³ at some point during the year. Competition in the refining industry also remains stiff as there is global refinery over capacity in abundance. Any increase in demand can be easily replaced with increased utilisation.

Despite the challenges abound in the global landscape in 2022, in addition to prioritising personal and process safety at the plant, HRC remains committed to deliver continuous value to its shareholders and stakeholders by focusing on these initiatives below:

- **Optimising organisational strength through talent development**

Training and development for HRC's LDP programme has initiated in 2022 and will carry on till 2023 to provide a clear and structured career progression plan for talented employees while providing an opportunity for HRC to fill up any internal vacancies in critical leadership roles at all levels immediately. In FY2023, the subsequent round of talent identification will be follow through.

- **Strengthening 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.

- **Enhance cost efficiency and work processes**

We are riding the wave of Industrial Revolution 4.0, whereby digitalisation will be the gamechanger for HRC as it will aid in decreasing operational costs and at the same time enhance operational efficiencies. Having neared completion in implementing the Office Automation (OA) company-wide to improve workflow, HRC is now ready for the next step to accelerate into BPM middleware.

This will integrate the different workflows and result in more effective project management. Moving forward, HRC's digital transformation in IT and business will be expanded to include the rolling out of initiatives that relate to:

- Business Agility
- Information Technology and Operations Technology Fusion
- Cyber security

- **Prepare for MTA 2023**

Driven by legislative requirements as part of the cyclical inspection programme and license renewal stipulated by DOSH, the preparation and planning for this turnaround event will be a major focus area to the Company in year 2022.

- **E4M start-up**

HRC's project E4M is planned to commission in the second quarter of 2022. This will ensure that all mogas components are blendable to meet E4M specification without any access of high sulphur mogas components from site. The project will allow the refinery to continue optimising its crude slate to be commercially competitive upon commission.

- **Implement Green Energy Initiatives**

HRC launched an Energy Masterplan in FY2020 with the aim to improve our energy performance. However, due to the challenges posed by pandemic-related disruptions, several energy related tactics that require hardware change and funding had slight delay in implementation. Nonetheless, this setback does not deter us from pursuing our aspiration of implementing any green energy initiatives. Moving forward, HRC will review and update the plan to set new goals for 2022 and beyond.

HRC is also actively exploring new and matured technology to further optimise and reduce the energy consumption of the infrastructure and facilities at our non-processing areas. One of the on-going feasibility study involves the viability of solar panel application to reduce the dependency from the power grid and advance towards a green building philosophy.

² [https://www.who.int/news/item/26-11-2021-classification-of-omicron-\(b.1.1.529\)-sars-cov-2-variant-of-concern](https://www.who.int/news/item/26-11-2021-classification-of-omicron-(b.1.1.529)-sars-cov-2-variant-of-concern)

³ <https://www.fool.com/investing/2022/01/08/3-bold-oil-market-predictions-for-2022/>



Stakeholder Value

CONTINUING TO DELIVER **STAKEHOLDER VALUE**

2021 Strategic Direction

- Drive cost optimisation to increase margins and overall product value
- Enhance supply chain quality, reliability and efficiency
- Continuous engagement with external stakeholders and sustain Corporate Social Responsibility

— 03

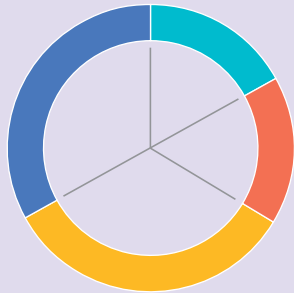
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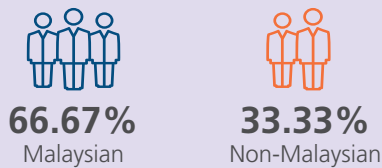
BOARD OF DIRECTORS' PROFILE

BOARD DIVERSITY

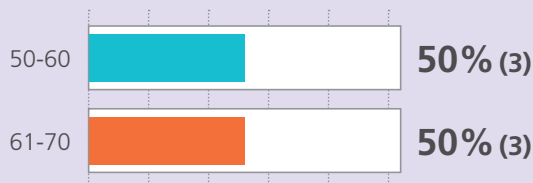
ETHNICITY



NATIONALITY



AGE GROUP



WANG, YOUDE

Chairman
Non-Independent Non-Executive Director

Chinese | Age 59 | Male

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 in 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



WANG, ZONGQUAN

Deputy Chairman
Non-Independent Non-Executive Director

Chinese | Age 59 | Male

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 in 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



ALAN HAMZAH SENDUT

Independent Non-Executive Director

Malaysian | Age 62 | Male

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 in 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



FAUZIAH HISHAM

Independent Non-Executive Director

Malaysian | Age 66 | Female

Date of Appointment

1 June 2017

Professional Membership

- Associate 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 in 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



LIANG KOK SIANG

Independent Non-Executive Director

Malaysian | Age 66 | Male

Date of Appointment

1 June 2017

Academic Qualification

- Bachelor of Science Hons (Chemistry), University of Malaya

Professional Memberships

- Member, Malaysian Institute of Chemistry
- IMD Alumni
- Fellow, Institute of Corporate Directors Malaysia

Experience

- 35 years with Shell Malaysia, in various commercial leadership roles:
 - Managing Director, Shell MDS (2016)
 - Director and General Manager, Marketing and Commercial, Shell MDS (2001-2016)
 - Founder and General Manager, BonusLink (1997-2001)
 - Senior management positions in the Retail, Lubricants and Chemicals businesses (1981-1997)

Directorship in other Listed Issuers / Public Companies

None

Membership of Board Committees in HRC

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



SURINDERDEEP SINGH MOHINDAR SINGH

Independent Non-Executive Director

Malaysian | Age 53 | Male

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

- 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 in other Listed Issuers / Public Companies

None

Membership of Board Committees in HRC

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



01 **Grant Gao Jin Liang**
Chief Executive Officer

02 **Elwin Tan Chun Siang**
Chief Financial Officer

03 **Tan Wei Chen**
Chief Operations Officer

04 **William Chen Jung Huei**
Chief Commercial Officer

05 **Zulhazmi Mohamad**
Chief Government Relations Officer

06 **Zainudin Zulkifli**
Senior Manager, Engineering

07 **Chang Chuak Shin**
Manager, Quality and HSSE

08 **Vikas Rishi**
Senior Manager, Technology

09 **Nur Izatul Fitri Hussein**
Chief Internal Auditor

10 **Xiang Rui Tao**
Manager, Contract & Procurement

11 **Zaem Chan Hee Teck**
Head, Human Resource

GRANT GAO JIN LIANG

Chief Executive Officer

Chinese | Age 47 | 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 49 | 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.

TAN WEI CHEN

Chief Operations Officer

Malaysian | Age 45 | Male

Appointed: October 2020

Wei Chen holds a Bachelor of Chemical Engineering from the University of Malaya. He started as a Technologist in HRC, and has more than 20 years' experience in oil and gas. His experience spans across technology, economics and scheduling, supply chain optimisation and operations. He took on an expatriate assignment in Singapore as Refinery Planner from 2006 to 2010.

Since 2010, Wei Chen has held managerial and leadership positions where he was the Site Economics and Scheduling Manager, Production Unit 1 (PU1) Manager and Production Unit 2 (PU2) Manager, prior to assuming current role. Wei Chen oversees the assets of Long Residue Catalytic Cracking unit, Hydrodesulphurisation Unit, Sulphur recovery unit and others. He also ensures execution, integration and alignment of the work processes with the support of multidisciplinary support teams.

Through the years, he has achieved several key milestones, spanning from organisation effectiveness improvement projects, major refinery turnarounds, hydrocarbon management review and cash uplift programme, introduction of new process units like Hydrodesulphurisation 2, process units to meet Clean Air Regulation, the transition to HRC and many others.

WILLIAM CHEN JUNG HUEI

Chief Commercial Officer

Taiwanese | Age 48 | Male

Appointed: April 2017

William holds a Masters in International Business Management from Soochow University, Taiwan.

He began his career with Formosa Plastics Group, Taiwan in 1999, and has over 18 years of commercial experience including being a crude oil trader, a trading manager of naphtha supply and a general manager of petrochemical feedstocks.

MANAGEMENT TEAM PROFILE

ZULHAZMI MOHAMAD

Chief Government Relations Officer

Malaysian | Age 51 | 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.

ZAINUDIN ZULKIFLI

Senior Manager, Engineering

Malaysian | Age 58 | Male

Appointed: April 2020

Zainudin holds a Bachelor of Engineering Degree from University of Canterbury, New Zealand. He has been in the petrochemical, chemicals and oil & gas business in the last 32 years. He joined HRC on April 2020.

Prior to joining HRC he was the Chief Technical Officer with Science-Tech Solutions Sdn Bhd and before that he was the Chief Operating Officer with KNM Group Bhd looking after manufacturing plants in China, Indonesia, Australia, Canada and also Malaysia. He was with BASF as the Site-cum-Manufacturing Director, looking after all manufacturing sites in Malaysia for over 15 years. He also looked after Reliability and Site Inspection Group, Rotating Equipment Group and Contractor Management Group.

Prior to that role, he was seconded to Shell Chemicals Seraya Pte Ltd to look after Engineering and Maintenance for the joint venture petrochemical plants between Shell and BASF located in Jurong Island, Singapore. Zainudin was also the General Manager for Wembley, Malaysia's pioneer boiler and pressure vessel manufacturer and was involved with projects such as KLCC and Kuala Lumpur International Airport. He had experiences in the Project Management involved in the Shell New Jetty, Import & Export New Facility, ExxonMobil Jetty Refurbishment & Upgrading in Port Dickson and Melaka Petronas Second Refinery while working with EPC International French company.

CHANG CHUAK SHIN

Manager, Quality and HSSE

Malaysian | Age 37 | 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.

VIKAS RISHI

Senior Manager, Technology

Indian | Age 40 | 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.

NUR IZATUL FITRI HUSSEIN

Chief Internal Auditor

Malaysian | Age 39 | Female

Appointed: February 2018

Izatul holds a Bachelor's Degree in Accountancy (Hons) from Universiti Utara Malaysia and a Certification in Risk Management Assurance from The Institute of Internal Auditors Inc. She is a Certified Internal Auditor, Certified Fraud Examiner and Chartered Accountant with over 16 years of extensive experience in internal controls, enterprise risk management, corporate governance, compliance, fraud examination and forensic accounting.

She is a Chartered Member of The Institute of Internal Auditors Malaysia, member of the Malaysian Institute of Accountants and member of Association of Certified Fraud Examiners. She began her career as a consultant at Ernst & Young Advisory Services Sdn Bhd. She later joined several public listed companies from diverse industries as an Internal Auditor and Risk Officer.

XIANG RUI TAO

Manager, Contract & Procurement

Chinese | Age 32 | 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.

ZAEEM CHAN HEE TECK

Head, Human Resource

Malaysian | Age 45 | Male

Appointed: March 2022

Zaeem holds a Master in Business Administration Degree in Strategic Marketing from University of Lincoln UK and Bachelor of Arts Degree (First Class Honours) in Business Administration from University of Hertfordshire, UK. Additionally, he holds a Diploma in Business Management from Swansea Institute of Higher Education, Wales, United Kingdom. He is also certified in Thomas International DISC, SHL Occupational Personality Questionnaire (OPQ), Behavioural Based Interviewing Skills, and DDI Conflict Management as well as a certified member in Personnel Management from Malaysia Institute of Human Resource Management (MIHRM).

He has 23 years of experience in Strategic HR and Operational, Consulting experience in Talent Acquisition & Management, Leadership, HR Process, and Systems Transformation. Zaeem has worked across Asia Pacific countries.

He started his career as a Consultant in Human Resources Practice KPMG Consulting. He then moved on to the corporate and talent solutions space where he held managerial roles. Prior to joining HRC, Zaeem worked for TDCX Malaysia, a Business Process Outsourcing (BPO) services company. He was formerly the Head of HR for Nokia Networks Malaysia and Myanmar. He has also worked for Standard Chartered Group, Citibank, HUAWEI Technologies, IBM, Futurestep Korn / Ferry, MAXIS, Prudential, DIGI Telenor, KPMG Consulting, HELP University and INTI LAURETTE Education Group.



HSSE & Compliance

STRONGLY ANCHORED ON **HSSE & COMPLIANCE**

2021 Strategic Direction

- Sustain personal safety towards goal zero safety performance
- Maintain a safe environment for the workforce with transition into endemic protocols
- Heighten the Company's process safety maturity towards process safety excellence
- Achieve all compliance and enhance environmental scorecard

04

2021 ANNUAL REPORT





CORPORATE GOVERNANCE OVERVIEW STATEMENT

Hengyuan Refining Company Berhad (HRC or the Company) 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 2020 as one of the top 100 companies for corporate governance disclosure. In December 2021, HRC received the maximum four (4) stars in Economic, Social and Governance (ESG) ratings, ranking the Company amongst the top 25 per cent 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 2021. 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 31 December 2021 (FY2021), 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 2021 which is 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 FY2021
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, 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 26 November 2021, the Board reviewed the 2022 Strategic Framework and approved the Business Plan 2022 tabled by the Management, which sets out the strategies and timelines to achieve both short-term and long-term value creation for the Company. The areas of focus included Health, Safety, Security & Environment (HSSE) & Compliance, People & Leadership, Stakeholder Value, Operational Excellence and Future Focus.

No	Principal Responsibilities	Explanation and updates for FY2021
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) and Head of Human Resource (HR) are evaluated by the BNRC before recommendations are made to the Board.</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. 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 for diversity in 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 town hall 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 FY2021
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 is available on page 67 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

Mr Wang, YouDe continues to hold the position of Chairman of the Board and is responsible for instilling good corporate governance practices, leadership and effectiveness of the Board. The role of the Chairman and the CEO are distinct and separate, and the positions are held by different individuals.

Mr Gao Jin Liang is the CEO of the Company, having assumed his position with effect from 4 August 2021. He is not, and has never been, a member of the Board 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.

The Board Charter and TOR of the respective Board Committees specifies that minutes of the meetings (in draft form) are to be circulated to the Board and respective Board Committee members within 10 working days of the meeting. Minutes in final draft form) will be distributed to the Board and the respective Board Committees at least five (5) working days before the following meeting and shall be approved by the chairman of the meeting at which the proceedings were held or by the chairman of the next succeeding meeting.

Based on the results of the Board Effectiveness Assessment FY2021 (BEA FY2021), Board members wish to see further improvements to the quality of the board papers, including a reduction in unnecessary length, and the timeliness of circulation of meeting minutes, so that effective board discussions and decision-making can be achieved.

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 27 August 2021 to be consistent with the revised TOR of the BAC, to include the BAC's responsibility to ensure that senior management establishes a framework for managing conflict of interest situations and related party transactions, and reviews and endorses the terms of related party transactions on behalf of the Board and in the best interests of the Company.

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, 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. On 26 March 2021, the Whistleblowing Policy was enhanced to allow for disclosures of improper conduct in any language, for the benefit of whistleblowers. Responses by HRC would be made in English, which is the official business language of the Company.

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.

Performance evaluations of the Board and senior management include a review of their performance in addressing the Company's material sustainability risks and opportunities. In the BEA FY2021, directors strongly agreed that Board considered sustainability factors when exercising its duties, including in the development and implementation of company strategies, business plans, major plans of action and risk management. Directors also felt that sustainability matters are sufficiently reported in Board materials and discussed at Board and Board Committee meetings.

The performance evaluation of senior management takes into account the Company's scorecard and results, which includes 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

II. BOARD COMPOSITION

As at 31 December 2021, 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.

As at 31 December 2021, 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 27 August 2021, the Board amended the TOR of the BNRC to remove the option for recommending the retainment of independent directors after a term of 12 years, to be in line with Practice 5.3 of the MCCG. The TOR also provides that where the Board intends to retain an independent director beyond nine (9) years, justification should be provided and shareholders' approval will need to be sought via a two-tier voting process.

On 26 March 2021, the Board approved the 62nd Annual General Meeting (AGM) notice containing the agendas of the re-election of directors Liang Kok Siang, Surinderdeep Singh Mohindar Singh and Loy Swee Im.

Profiles of the directors seeking re-election were included in the FY2020 Annual Report issued together with the notice of meeting. The profiles included details of the directors' age, gender, working experience, any conflict of interest and directorship in other companies. The 62nd AGM Notice was issued to shareholders on 26 April 2021.

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 31 December 2021, the Board consists of the following:

Number of Directors	Race / Ethnicity				Nationality	
	Malay	Chinese	Indian	Others	Malaysian	Foreigner
	2	1	1	2	4	2

Number of Directors	Age Group		Gender	
	50-59	60-69	Male	Female
	3	3	5	1

No	Experience / Skills	Percentage
1	Corporate Governance	83%
2	Regulatory Compliance / Legal	67%
3	Internal Controls / Risk Management / Audit	67%
4	Finance: Accounting / Treasury / Tax	67%
5	Corporate Finance / Mergers & Acquisitions	67%
6	Banking	58%
7	Commercial, Economics and Scheduling	58%
8	QHSSE	75%
9	Strategy and Oil & Gas	58%
10	Supply / Marketing / Sales	50%
11	Contracting and Procurement	75%
12	Project Management / Engineering	78%
13	Human Resource & Development	50%
14	Information Technology	33%

As at 31 December 2021, the Company's Management team consists of the following:

Number of Management members	Race / Ethnicity				Nationality	
	Malay	Chinese	Indian	Others	Malaysian	Foreigner
	3	3	-	3	6	3

Number of Management members	Age Group			Gender	
	30-39	40-49	50-59	Male	Female
	3	4	2	8	1

The Board comprised of two (2) women directors out of a total of seven (7) directors, representing 29 per cent of Board members, from 1 January 2021 until the resignation of Loy See Im on 27 November 2021. As at 31 December 2021, the Company has one (1) woman director, making up 17 per cent of the Board.

The Board Diversity Policy was approved by the Board on 26 March 2021 and 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 per cent 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.

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, the 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.

In its meeting on 26 August 2021, the BNRC 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 are Independent Non-Executive Directors, which would provide a check and balance to the objectivity of its decisions.

Based on the results of the BEA FY2021, the BNRC is happy with the current composition of the Board. A Board Committee composition review is scheduled in the second quarter of 2022 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 FY2021, no new directors were appointed to the Board.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The BNRC reviewed the Directors' Rotation checklist, considered the tenure of directors Wang, YouDe and Alan Hamzah Sendut, who are seeking re-election at the Company's 63rd AGM scheduled to be held on 25 May 2022, and resolved on 28 March 2022 to recommend their reappointments to the Board based on the following reasons:

- Based on the results of the BEA FY2021, Wang, YouDe has the relevant mix of experience, skills, knowledge, expertise and core competency that is beneficial to the Company, including industry specific knowledge in oil and gas. He shares personal knowledge and insights and provides useful recommendations to assist the Board in making decisions, probes the Management to ensure that varying opportunities and risks are considered, and the quality of information and assumptions are tested. Wang, YouDe also devotes adequate time and attention to the discharge of duties and responsibilities as a director, participates actively in board activities and works constructively with his peers.
- Based on the results of the BEA FY2021, Alan Hamzah Sendut has the relevant mix of experience, skills, knowledge, expertise and core competency that is beneficial to the Company, including accounting and finance, internal controls, and audit. He has good understanding of the roles, duties and obligations of a director, adds value to board meetings and takes initiative to request for more information. He also provides logical, honest opinions on issues presented and is pro-active in discussing any concerns and exhibits 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 FY2021, the BNRC decided to conduct the BEA FY2021 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. As HRC is not a Large Company within the definition of the MCCG, the BNRC considers the internally facilitated assessment to be sufficient for the Company's needs.

The BEA FY2021 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).

The key strengths identified by directors in the BEA FY2021 are: Board members have diversity in knowledge and skills, which facilitates fruitful discussions towards decision-making; Directors have adapted remarkably well to virtual and hybrid meetings, including the Company's 62nd AGM on 25 May 2021 which was held entirely through online live streaming; and directors constantly challenges the Management and are not afraid to voice out disagreements on key matters.

In addition to the BEA FY2021 findings that have been highlighted earlier in this statement, the directors also noted that the Board had not achieved the 30 per cent woman directors' target prescribed by the MCCG, and felt that more time should be provided to strategy planning with respect to the Company's future beyond refined fuel, long-term sustainability plan and transition to a low carbon economy. This has since been discussed and will continue to be explored at Board meetings.

The Board Committees had carried out a self-evaluation via the BEA FY2021 and directors have indicated that they are satisfied with the overall effectiveness of the respective Board Committees.

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 Independent Non-Executive Directors also declared their independency in compliance with the definition of "independent director" in the MMLR.

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.

The remuneration structure for positions of CEO, CFO or Financial Controller (in the absence of CFO) and Head of HR or HR Manager (in the absence of 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.

For FY2021, 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:

CORPORATE GOVERNANCE DISCLOSURE

(In RM'000)	Salaries, bonus and salaries related benefits	Directors' fees	Attendance and other remuneration	Total
Wang, YouDe	-	738	4	742
Wang, ZongQuan	-	228	4	232
Alan Hamzah Sendut	-	264	6	270
Fauziah Hisham	-	186	4	190
Liang Kok Siang	-	234	4	238
Surinderdeep Singh Mohindar Singh	-	240	4	244
Loy Swee Im	-	154	3	157
Total		2,044	29	2,073

* Loy Swee Im resigned from the Board on 27 November 2021. Her remuneration was paid to Hengyuan International Sdn Bhd.

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 RM65,000.00.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 149 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 were updated on 27 August 2021 to provide 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 approved the Non-Audit Services Policy on 26 November 2021, 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 FY2021 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 73 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 67 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; and
- (ii) The Company's site internal assurance team (SIA), which comprises of 31 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.

The CIA reviews and assesses 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 2021, 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, which were held virtually in 2021 due to the movement control orders, social distancing standard operating procedures (SOPs) and guidelines imposed by the authorities as a result of the COVID-19 pandemic;
- ii. employee information circulars, which were sent by electronic mail;

- iii. one-to-one engagements, regular visits and meetings especially to the neighbouring communities near the Company's refinery. In FY2021, physical engagements were only conducted where necessary and with proper adherence to COVID-19 social distancing SOPs. The Company utilised mobile messaging platforms to communicate with the community and provide advance notification of any planned operational activities that may affect them;
- iv. engagements with local, state and federal government authorities to ensure compliance to laws and regulations applicable to the Company especially on financial, tax, governance, environment, health & safety, licensing and permits;
- v. transparent and up-to-date announcements through Bursa Malaysia, including the Company's financial reports, annual report, sustainability report and circular to shareholders. The announcements were also uploaded to the Company's website at www.hrc.com.my immediately after its release by Bursa Malaysia;
- vi. updates to the Company's website, which contains useful information regarding the Company's background, vision, mission, values and purpose, Board of Directors, the management team, investor relations, corporate governance policies and documents, sustainability efforts, announcements, minutes of general meeting and contact details, amongst others; and
- vii. e-mails and telephone enquiries to the Corporate Affairs Department, whose contact details are published clearly on the Company's website.

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 62nd AGM notice, proxy form, FY2020 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 FY2020 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 2021 Sustainability Report, which is accessible on the Company's website at www.hrc.com.my.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 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. For the Company's 62nd AGM, the notice of meeting was circulated on 26 April 2021, which was twenty-eight (28) days before the meeting held on 25 May 2021.

Due to the ongoing COVID-19 pandemic and in consideration of the Guidance Note and FAQs on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia, the Company decided to hold its 62nd 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 62nd 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 provides 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 62nd 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 62nd AGM held on 25 May 2021, 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 shareholders which covered market challenges, FY2020 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 posed were projected to attendees of the AGM and read out by the AGM Chairperson, before being 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 62nd AGM meeting minutes, including the key matters discussed, were uploaded to the Company's website on 6 July 2021. The meeting minutes are accessible at www.hrc.com.my.

The Company's Corporate Governance Report and Corporate Governance Overview Statement was approved by the Board on 1 April 2022.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors (Board) of Hengyuan Refining Company Berhad (HRC or the Company) 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 FY2021.

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 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 a managed and acceptable risk profile.

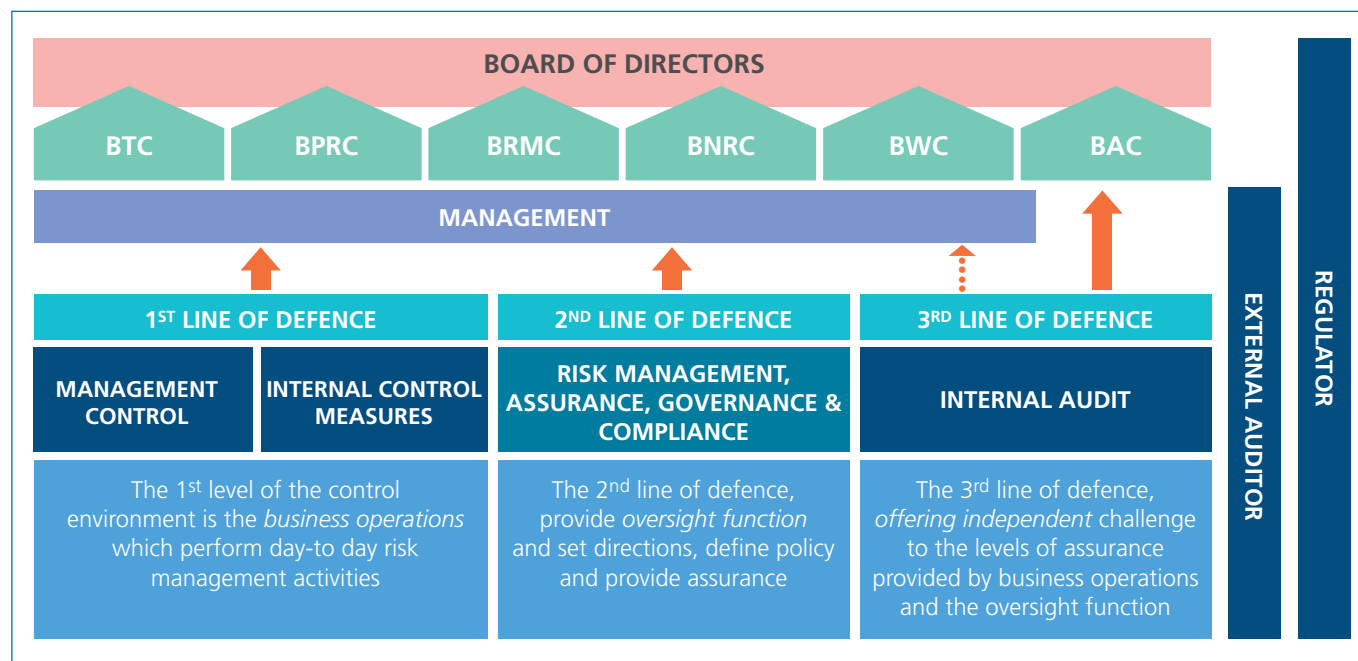
Fit-for-purpose risk responses are primarily intended to:

- 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 46 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 will be deliberated on a quarterly basis by the senior management before being brought to the BRMC for review and further deliberation.

KEY INTERNAL CONTROLS

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

1. AUTHORITY AND RESPONSIBILITY

- Certain responsibilities are delegated to the Board Committees through clearly defined Terms of Reference (TOR) which are reviewed annually.
- 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

- 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.
- The Management Team serves in an advisory capacity to the Chief Executive Officer (CEO) in accomplishing the vision, strategies and objectives set for HRC.
- 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 2021 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.

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 2021.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

a. ANTI-BRIBERY MANAGEMENT SYSTEMS MANUAL

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 that the Company has put in place adequate controls to mitigate the risk of bribery and corruption. Business integrity is also recognised as one of the main pillars of HRC's General Business Principles.

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

In year 2021, various activities were organised online to strengthen the culture of business integrity within the Company.

During the second week of October 2021, the Risk & Integrity Department organised the annual Business Integrity Week in conjunction with World Ethics Day 2021, comprising of integrity e-learning, quiz, talk by MACC and information security management system awareness training.

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 FY2021, 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 2021.

INTERNAL AUDIT

The Board recognises that the internal audit function is an integral component of the governance process. The Chief Internal Auditor reports directly to the BAC Chair. The Internal Audit Department supports the BAC by providing an independent and objective assurance designed to add value and improve HRC's operations.

In FY2021, 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. The auditors assessed the audit areas with regard to risk exposures, compliance with approved policies and procedures and relevant laws and regulations. For any significant gaps identified, the auditors provided recommendations to Management to improve the effectiveness of controls where applicable.
- 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 COVID-19 pandemic, 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 1 April 2022.

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 FY2021.

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) of the MMLR and Practice 9.4 under Principle B of the Malaysian Code on Corporate Governance (MCCG). The BAC members' attendance records are outlined on page 146 of this Annual Report.

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 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 FY2021 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.

The TOR of the BAC was reviewed and amended on 23 August 2021 to be consistent with the best practices of the Malaysian Code on Corporate Governance issued by the Securities Commission Malaysia on 28 April 2021.

MEETINGS

The BAC held five (5) meetings during the financial year ended 31 December 2021. The attendance of the BAC members in its meetings are set out on page 146 of this Annual Report.

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 2021, significant auditing and accounting matters, internal control recommendations and developments in relevant laws and regulations.

The BAC held its independent meetings with PwC on 8 March 2021 and 31 March 2022 without the presence of Management to discuss and provide feedback on the Company's audit for the financial years ended 31 December 2020 and 2021 respectively, the level of cooperation received from Management, any specific audit concerns and the quality of financial reporting.

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 2021, 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.

AUDIT COMMITTEE REPORT

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 2021 comprised the following:

1. Financial Reporting

In overseeing HRC's financial reporting, the BAC reviewed the quarterly financial statements for the fourth quarter of 2020 and the annual audited financial statements for 2020 at its meetings on 25 February 2021 and 26 March 2021 respectively.

The quarterly financial statements for the first, second and third quarters of 2021, 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 2021, 23 August 2021 and 23 November 2021 respectively.

On 25 February 2022 and 31 March 2022, the BAC reviewed the quarterly financial statements for the fourth quarter of 2021 and the annual audited financial statements for 2021 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 2021 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 2021 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 31 March 2022, the CIA reported that non-audit fees incurred in FY2021 amounted to RM186,475, constituting approximately 30 per cent of the total remuneration of RM628,475 to the External Auditors for 2021.

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 62nd Annual General Meeting. The assessment was conducted based on the criteria stipulated in HRC's External Auditor Assessment Policy, which was reviewed and amended on 23 August 2021 to include the Annual Transparency Report as part of the criteria, to be consistent with the MCCG.

3. Internal Audit

The IA team conducted the audit work as per the 2021 Annual Audit Plan approved by the BAC on 25 November 2020.

In year 2021, 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 31 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.

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 2021 was RM604,886.

4. HRC Assurance Plan 2021

The BAC oversaw HRC's approved internal audit and assurance plan for the year 2021 which consisted of seven (7) regulatory and statutory audits and twelve (12) 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 Recertification Audit
ISO 14001 Recertification Audit
ISO 45001 Recertification Audit
ISO 17025 Surveillance Audit
ISO 27001 Surveillance Audit
ISO 37001 Surveillance Audit
Internal Audits
Tendering Management
Credit Management
Security Management
Manpower Planning and Management
Related Party Transaction Process
HRC Regulatory Compliance Management
ISO 9001
ISO 14001
ISO 45001
ISO 17025
ISO 27001
ISO 37001

The progress of the Internal Audit and Assurance Plan 2021 and its audits were reported to the Board on a quarterly basis.

During the course of the year, the BAC also approved five (5) 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 2021, 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 2021 to the 63rd 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 Securities Berhad.

6. Others

Other matters discussed by the BAC during its meetings include:

- (a) The review of annual impairment assumptions and tests;
- (b) The review of reports on annual margin and FX hedging activities and outcome;
- (c) The review of the BAC Report and the Statement on Risk Management and Internal Control for the respective financial year for the purpose of inclusion in the Company's Annual Report;
- (d) The review of 2022 HRC Business Plan, i.e. Purpose, Vision, Mission, Values, Business Strategy and Financial and Headcount;
- (e) The Company's cash forecast, financing planning and liquidity position;
- (f) The solvency outlook of the Company in the next 12 months, loan position of the Company and dividend proposal;
- (g) The review of proposed loan refinancing structure and appointment of the Principal Advisor and Lead Arrangers as well as subsequent updates on status of the refinancing plan;
- (h) The review of the "Statement of Compliance" to be issued to the lenders;
- (i) The review of Non-Audit Services Policy and External Auditor Assessment Policy;
- (j) The review of Dormant Stock Write-off proposal;
- (k) Quarterly updates on the recurrent related party transactions (RRPTs) received from the Management. The BAC also ensured that all RRPTs were within the thresholds of the shareholders' mandate approved at the AGMs in 2020 and 2021; and
- (l) The review of the proposal for a Dividend Reinvestment Plan.



Future Focus

ADVANCING WITH PRAGMATIC **FUTURE FOCUS**

2021 Strategic Direction

- Steadfast progress on key investment projects
- Enhance plant safety and reliability through successful implementation of Major Turnaround 2023 (MTA 2023)
- Further our Digitalisation journey to improve business scalability and agility

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2021 ANNUAL REPORT

