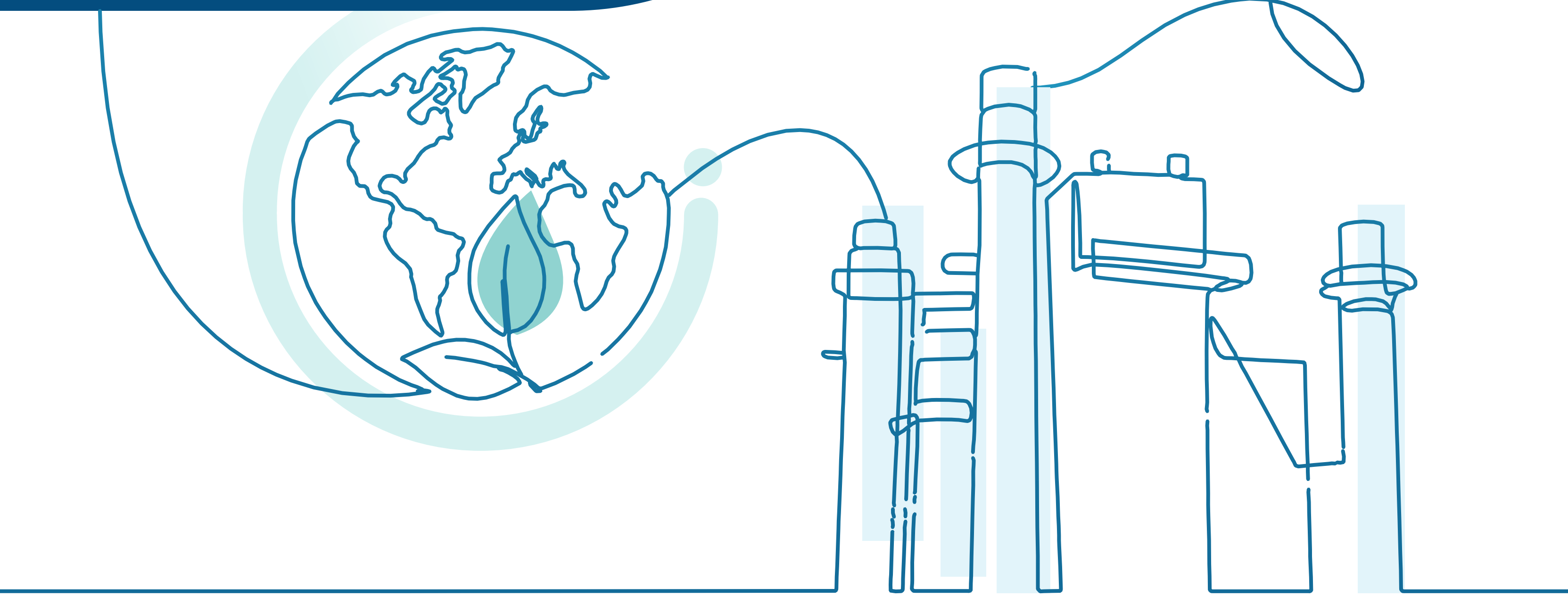
Hengyuan Refining Company Berhad
Registration No. 196001000259 (3926-U)

Embracing Integration, Driving Resilience

INTEGRATED ANNUAL REPORT

2024



www.hrc.com.my

Inside This Report


A snapshot of the Euro 4 Mogas unit

Embracing Integration, Driving Resilience

This year's cover design reflects the resilience and prospects of Hengyuan Refining Company Berhad ("HRC" or "the Company") as the process of enhancement continues to strengthen business and operational fundamentals towards achieving enhanced progress and performance.

The motifs and designs allude to consistency and determination in the face of challenges, yet an ability to pivot and adapt in tandem with market forces towards accelerating positive change and establishing a clear pathway of growth. Operational reliability and excellence, business acumen and redefined ambitions set the backdrop for HRC to move forward with an accelerated pace towards establishing a brighter future amidst emerging opportunities.

Previous logo

New logo

Complementing this forward momentum, HRC adopts a new corporate logo in alignment with our parent company, Shandong Hengyuan Petrochemical Company Limited (SHPC), to reflect a unified brand identity. This update is part of our ongoing aspiration of growth, integration, and transformation. While our company name, mission, and values remain unchanged, the new logo represents our continued commitment to progress, operational excellence, and long-term sustainability. It is a visual embodiment of our theme for the year: *Embracing Integration, Driving Resilience*.

Abbreviation:
HRC or the Company refers to the listed entity of Hengyuan Refining Company Berhad.

This Integrated Annual Report is also accessible via *www.hrc.com.my*

Scan here to view our Integrated Annual Report online

About This Report

INTRODUCTION

Hengyuan Refining Company Berhad ("HRC" or "the Company") publishes its first Integrated Annual Report 2024 ("IAR2024") in respect of the Company's financial year ended 31 December 2024 (2024).

IAR2024 has been prepared with reference to the principles-based framework of Integrated Reporting, as outlined by the International Financial Reporting Standards ("IFRS") organisation, and draws upon elements from the following reporting frameworks and standards:

- Companies Act 2016 ("Act")
- Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad
- Malaysian Code on Corporate Governance 2021 ("MCCG 2021")
- Bursa Malaysia Sustainability Reporting Requirements – Third Edition
- Malaysian Financial Reporting Standards ("MFRS")
- ISSB and SASB Sector Specific Disclosures
- Global Reporting Initiative ("GRI") Sustainability Reporting Standards
- United Nations Sustainable Development Goals ("UNSDG")

DIRECTORS' STATEMENT OF RESPONSIBILITY

The Board of Directors of HRC and its Senior Management have applied its collective mind to present a balanced and comprehensive IAR2024 based on good governance practices and guided by the Integrated Reporting principles-based framework.

HRC's Euro 4 Mogas plant began its operations in 2022

About This Report

BASIS OF PREPARATION

Beyond past performance-based disclosures, IAR2024 aims to provide readers, notably investors and other providers of financial capital a more insightful perspective of the Company. Hence, disclosures pertain to the Company's ability to sustain value creation, and the resilience of its business model over the short, medium and long-term horizons. This includes the ability to effectively manage and mitigate sustainability risks and opportunities that are financially material.

Hence, beyond typical disclosures on financial performance and the provision of the financial statements, IAR2024 discloses information on financially material sustainability topics in accordance with the IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Disclosure ("IFRS S1") and IFRS Climate Related Disclosures ("IFRS S2").

In subsequent integrated reports, HRC aims to provide quantification of such risks in accordance with the disclosure requirements of IFRS S1 and IFRS S2.

Following were the key aspects of determining content for inclusion in IAR2024:

- Prioritisation of material topics based on the principle of financial materiality. In 2024, material matters were reviewed and the associated risks and opportunities identified and disclosed under the Risks and Opportunities to Value Creation section.
- Continued provision of general impact materiality disclosures to meet the needs of other stakeholders, which is provided in HRC's standalone Sustainability Report 2024 ("SR2024").
- Development of Integrated Thinking primarily through a Senior Management level, cross-functional Integrated Thinking workshop.
- Strategic interviews with Senior Management to develop strong insights and perspectives to guide reporting narratives.
- Preparation to meet disclosure requirements of the National Sustainability Reporting Framework (NSRF) under the Securities Commission Malaysia.

INAUGURAL INTEGRATED THINKING AND INTEGRATED REPORTING WORKSHOP

As part of the reporting process for IAR2024, HRC with the facilitation provided by its IFRS licensed Integrated Reporting guidance and advisory firm, Joshua Rayan Communications, held the Company's inaugural Integrated Thinking and Integrated Reporting Workshop.

The workshop was designed to solicit the collective perspective of Management with regard to the Company's business model, its external operating environment, risks and opportunities as well as capital dependencies and resource allocation plans going forward.

In addition, the workshop also focused on developing a coherent, shared view of the Company's outlook and prospects amidst a dynamic and fast evolving external operating environment.


HRC's Integrated Thinking workshop

EXCLUSIONS AND LIMITATIONS

The Company aims to strengthen its reporting in accordance with the relevant frameworks progressively by investing in capacity building, enhancing data collection infrastructure and systems, as well as fostering integrated thinking within management by establishing clearer financial materiality to sustainability matters.

About This Report

OUR REPORTING SUITE

IAR2024

Beyond past performance based financial disclosures, IAR2024 provides a comprehensive, strategic view of HRC's business model, its operational capabilities, value creation highlights as well as disclosures pertaining to financially material sustainability matters.

The report can be downloaded at:
http://hrc.com.my/annual_report.html

SR2024

Comprehensive sustainability performance focussing on impact materiality based sustainability topics. Disclosures are aligned to Bursa Malaysia's requirements as well as GRI and FTSE4Good.

The report can be downloaded at:
http://hrc.com.my/sustainability_report.html

Corporate Governance Report ("CG 2024")

Standalone report on HRC's alignment to the corporate governance practices prescribed by the Malaysia Code of Corporate Governance. This includes practices applied with regard to corporate integrity, audit, directors' independence, establishment of effective risk management and mitigation and robust internal controls and oversights as well as empowerment of shareholders.

The report can be downloaded at:
https://hengyuanrefining.listedcompany.com/misc/HRC-CG_Report_2024.pdf

FORWARD LOOKING STATEMENTS

Consistent with the Principles Based framework of Integrated Reporting and in accordance with the NSRF and IFRS S1 and IFRS S2, IAR2024 provides forward looking statements, where relevant.

While these future based disclosures were developed based on available information at a specific time, Management wishes to explicitly state that the dynamic nature of the external operating environment may have led to significant changes or new developments or information, which may render any and all forward statements in IAR2024 to be inconclusive or not reflective of actual future scenarios.

While every care and precaution has been taken to ensure that forward looking statements are reasonable and fair, such statements are made based on assumptions, assessments, expectations, forecasts, and projections that may change in tandem with changes in the operating environment (which are beyond the control of HRC).

Readers are advised to perform their own due diligence and to not rely solely on the forward-looking statements provided in IAR2024 in making any investments or any financially material decision.

HRC will not be held liable for any damages or negative repercussions attributed to the forward-looking statements presented in IAR2024.

About This Report

ICONS

In promoting report conciseness, IAR2024 utilises icons as follows:

Financial Capital
Refers to all financial resources that HRC deploys in the execution of its business model and generates accordingly. This includes cash and bank balances, borrowings, retained earnings, shareholders' equity and investments. Financial outputs typically comprise revenues, earnings, sales and dividends.

Manufactured Capital
Refers to all plant, machinery, assets and equipment deployed throughout the business model towards generating produced goods and services. For HRC, this would be primarily its refining facility and cracked (refined) products.

Intellectual Capital
Primarily comprising business strategies, proprietary systems and processes, internal methodologies and technology. Intellectual property also includes the competences, capabilities and experience of the Board and Senior Management.

Human Capital
HRC's talent pool of employees who work across the business. This includes their skills, competences, professional capabilities as well as employee morale and satisfaction.

Social Capital
Primarily comprising stakeholders' perceptions of HRC's operations, especially from community and regulatory stakeholders. Given HRC's business model comprising refinery operations, social capital is material to the Company's ability to operate. Hence, the emphasis on social capital in terms of relationship building, stakeholder engagement and management and more.

Natural Capital
Comprises all physical resources sourced from the natural environment. This includes crude oil, energy, water, land and other resources. Outputs include regulatory compliant effluents and emissions as well as noise levels.

CONTENT SECTION ICONS:

- Corporate Profile
- Chairman's Statement
- Our External Operating Environment
- Our Business Strengths
- SR2024
- Management Discussion and Analysis
- Risks and Opportunities to Value Creation
- Strategic Priorities

MATERIAL TOPICS ICONS:

- **M1** Economic Performance
- **M2** Product Quality
- **M3** Customer Management
- **M4** Reliable Operations And Production
- **M5** Supply Chain Management
- **M6** Ethics and Integrity
- **M7** Climate Change and Greenhouse Gas Emissions
- **M8** Energy Management
- **M9** Water & Effluent Management
- **M10** Waste Management
- **M11** Employee Value Proposition
- **M12** Diversity and Equal Opportunities
- **M13** Health and Safety
- **M14** Local Community

NAVIGATION ICONS:

This icon tells you where you can find related information in this report.

This icon tells you where you can go for more information online.

ASSURANCE

Financial statements presented in IAR2024 have been independently assured by KPMG PLT in accordance with the relevant standards and frameworks, including the MFRS and IFRS. Presently, sustainability related information is not independently audited but HRC intends to subject specific disclosures and indicators in IAR2024 and SR2024 for assurance progressively.

FEEDBACK

Feedback, suggestions or enquiries on this report may be sent to: *HRCPD-Corporate-Affairs@hrc.com.my*

Our Strategic Compass

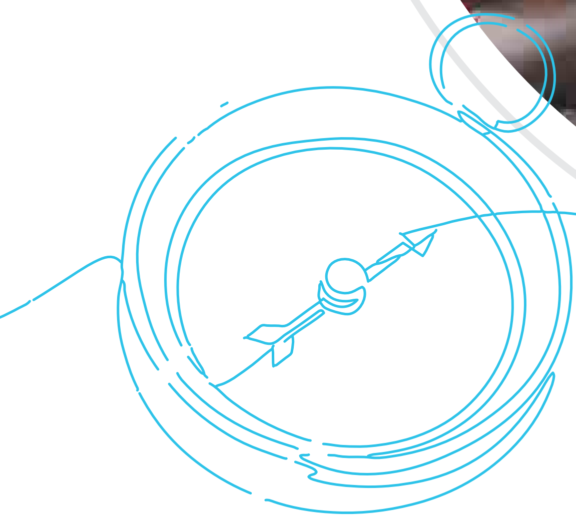
Our employees foster collaboration between departments

Our Vision

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

Our Mission

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



Our Core Values

HRC's corporate philosophy is driven by its Vision and Mission and is supported by its chosen organisational ICARE values, which are aimed to continuously develop a conducive working culture centred on professionalism, passion, merit and commitment towards sustaining high-performance.

Culture is viewed as the pathway towards effective implementation of business strategies, in driving innovative thinking, in supporting effective talent management and ultimately, realising the Vision and Mission, and enabling value creation.

Our Core Values

INTEGRITY

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

COLLABORATION

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

ACCOUNTABILITY

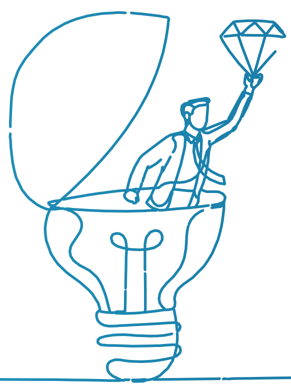
- Doing the right thing the right way
- "I take responsibility over my actions"
- "No passing on of responsibility, the buck stops with me"
- Going the extra mile
- Leadership at all levels

RESPECT

- Care for each other
- Respect our stakeholders
- Diversity, Equity & Inclusion
- 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



General Business Principles

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

Business Integrity

HRC places a strong emphasis on honesty, integrity, and fairness across all facets of our operations. HRC is unwavering in its commitment to mitigating risks associated with bribery and corruption within the organisation. We hold ourselves and our business associates to the same high standards.

Employees are strictly prohibited from receiving, soliciting, offering and giving any form of payments, favours, gratification and other forms of material gains, directly or indirectly, to inappropriately influence the actions of others, thereby abusing their authority. Facilitation payments are unequivocally considered as bribes and are strictly forbidden.

In preventing conflicts of interest between personal and company interest, employees are obligated to declare and prevent any potential or actual conflicts of interest. All business transactions must be accurately and fairly reflected and disclosed in the Company's accounts, in accordance with established policies and procedures, and are subject to audit.

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.

Community Wellbeing

HRC remains steadfast in its commitment to being a conscientious neighbour, consistently striving to enhance the well-being of the communities in which we operate.

Aligned with global sustainability standards, we prioritise environmentally responsible practices within our refinery operations. Through a focus on energy efficiency and eco-friendly initiatives, we actively work towards reducing our carbon footprint and contributing to a healthier environment.

Recognising that our commitment extends beyond economic value creation, we actively support essential community services. We meticulously manage the social implications of our business activities, focusing on maximising positive outcomes and minimising any adverse effects.

Our holistic approach seamlessly integrates social and environmental considerations into our strategy, underscoring our dedication to being a positive force for sustainable development in Port Dickson and its surrounding areas.

Zumba activity at HRC fire station with the community

General Business Principles

Free and Fair Competition

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

Interactive Engagement

HRC recognises that regular dialogue and engagement with our stakeholders are 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.

Continuous Economic Value Add

Long-term profitability is essential to achieve business goals and to assure continued growth. It underpins the necessary corporate resources for the continuing investment 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.

Governance and Compliance

We comply with all applicable laws and regulations of Malaysia, and the countries where we have business dealings. We uphold transparent governance practices and ethical decision making, ensuring that our operations adhere to the highest standards of integrity. This approach fosters trust and accountability among our stakeholders.

HRC operates with a strong commitment to compliance with the laws of Malaysia and the countries with which we engage.

Political Activities

A. Of Company

HRC upholds the principle of non-participation in party politics and refrains from making payments to political parties, organisations, or their representatives. When engaging with governmental entities, HRC exercises its right and responsibility to communicate our position on matters that impact us, our employees, customers, shareholders, and local communities. This communication is guided by our core values and General Business Principles, ensuring ethical conduct.

B. Of Employees

HRC respects the rights of our employees to make personal choices, including engaging in civic activities or standing for election to public office, as deemed appropriate and in accordance with applicable laws and regulations.

At a Glance

Workplace Highlights

ZERO
Work-related fatalities track record in **31 years**

Incident free pit-stop
activity achieved in 2024

2,178 Incident prevention via reporting submissions

Business Highlights

Hydrogen Manufacturing Unit (HMU)

Production Volume
36.8 million bbl

92.10%
Operational Availability

At a Glance

myUNJAM programme - releasing fish seeds into the sea to replenish fish stock and improve Port Dickson's marine ecosystem

Sustainability Highlights

1st place in **Electrical and Electronic Waste Collection Competition** organised by the Department of Environment (DOE) (2,220 kg of e-waste)

HRC's Partnership with the Department of Fisheries Malaysia to **empower local communities and restore marine ecosystems** via myUNJAM programme in Port Dickson.

Interactive community engagement sessions through the 'Hari Bersama Komuniti' programme.

Corporate Information

BOARD OF DIRECTORS

Wang, YouDe
Chairman
Non-Independent Non-Executive Director

Surinderdeep Singh Mohindar Singh
Independent Non-Executive Director

Tai Sook Yee
Independent Non-Executive Director

Li, XiaoXia
Independent Non-Executive Director

Peter Ho Kok Wai
Independent Non-Executive Director
(Appointed on 3 March 2025)

Wang, ZongQuan
Non-Independent Non-Executive Director
(Retired on 28 November 2024)

Alan Hamzah Sendut
Independent Non-Executive Director
(Retired on 31 December 2024)

BOARD AUDIT COMMITTEE

Peter Ho Kok Wai (Chair)
(Appointed on 3 March 2025)
Surinderdeep Singh Mohindar Singh
Tai Sook Yee
Alan Hamzah Sendut (Chair)
(Retired on 31 December 2024)

BOARD NOMINATING AND REMUNERATION COMMITTEE

Surinderdeep Singh Mohindar Singh (Chair)
Wang, YouDe
Li, XiaoXia

BOARD RISK MANAGEMENT COMMITTEE

Li, XiaoXia (Chair)
Tai Sook Yee
Peter Ho Kok Wai
(Appointed on 3 March 2025)
Wang, ZongQuan (Chair)
(Retired on 28 November 2024)
Alan Hamzah Sendut
(Retired on 31 December 2024)

BOARD PROJECTS REVIEW COMMITTEE

Li, XiaoXia (Chair)
Wang, YouDe
Surinderdeep Singh Mohindar Singh

BOARD TENDER COMMITTEE

Wang, YouDe (Chair)
Wang ZongQuan
(Retired on 28 November 2024)
Alan Hamzah Sendiut
(Retired on 31 December 2024)

BOARD WHISTLEBLOWING COMMITTEE

Surinderdeep Singh Mohindar Singh (Chair)
Wang, YouDe
Alan Hamzah Sendut
(Retired on 31 December 2024)

SECRETARIES

Tan Siew Hong
SSM PC No. 201908001915
MAICSA 7066226

Tan Ai Ning
SSM PC No. 202008000067
MAICSA 7015852

AUDITORS

KPMG PLT
Level 10, KPMG Tower
8, First Avenue
Bandar Utama
47800 Petaling Jaya
Tel: 03 - 7721 3388
Fax: 03 - 7721 3395

SHARE REGISTRAR & AGM HELPDESK

Boardroom Share Registrars Sdn Bhd
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor
Tel: 03 -7890 4700 (Helpdesk)
Fax: 03 -7890 4670
Email: bsr.helpdesk@boardroomlimited.com

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

12th Floor, Menara Symphony
No. 5, Jalan Professor Khoo Kay Kim
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Selangor
Tel: 03 -7890 4800
Fax: 03 -7890 4650
Email: info.my@boardroomlimited.com

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Tel: +606-641 2000

CORPORATE OFFICE ADDRESS

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(NU Tower 1)
Kuala Lumpur Sentral
No 203, Jalan Tun Sambanthan
50470 Kuala Lumpur
Tel: +603-2780 1060

Financial Calendar

2024

26 February
Unaudited financial results for the 4th Quarter ended 31 December 2023

26 April
Notice of 65th AGM

24 May
Unaudited financial results for the 1st Quarter ended 31 March 2024

28 May
65th AGM

27 August
Unaudited financial results for the 2nd Quarter ended 30 June 2024

27 November
Unaudited financial results for the 3rd Quarter ended 30 September 2024

2025

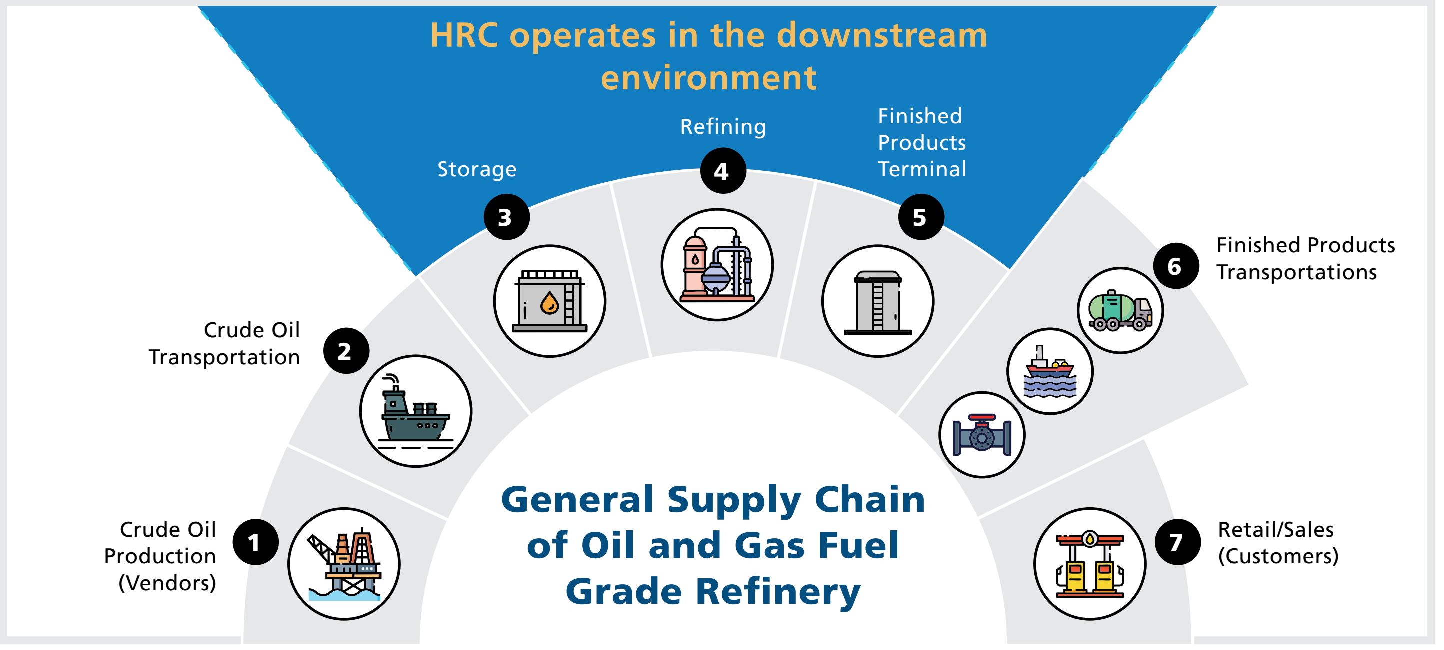
27 February
Unaudited financial results for the 4th Quarter ended 31 December 2024

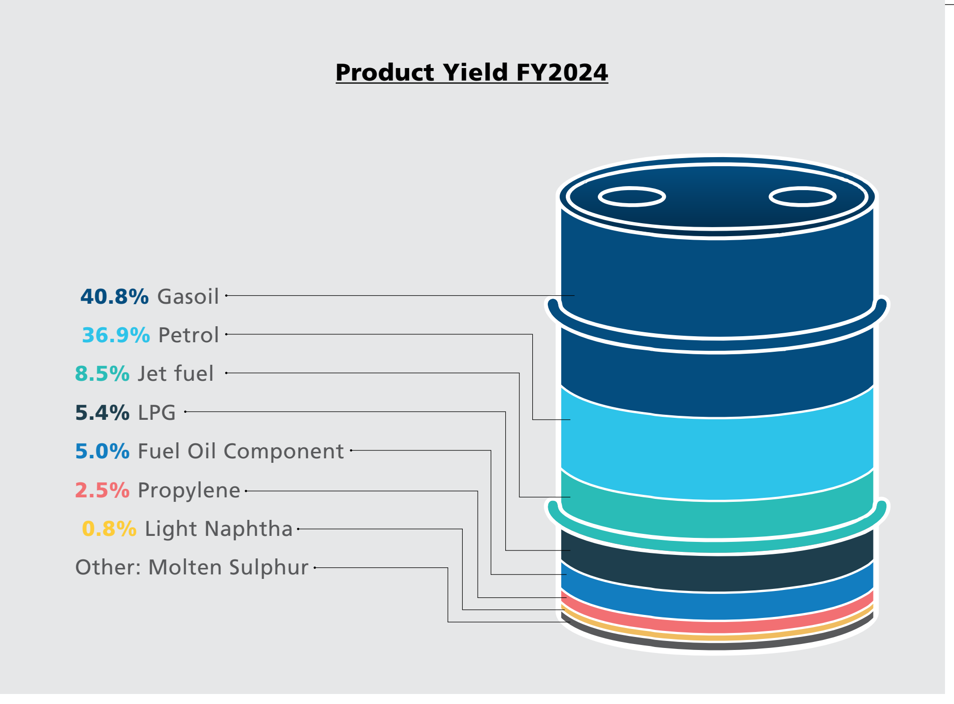
25 April
Notice of 66th AGM

28 May
66th AGM

Our Business Model and Business Overview

In essence, HRC's business model is the processing of specialised petroleum products that is consumed primarily by Malaysia's transport and logistics sectors. This entails refining crude oil into various cracked products such as petroleum gas ("LPG"), petrol ("mogas"), jet fuel, gasoil (diesel), fuel oil components, sulphur and chemical feedstocks (such as light naphtha and propylene). These refined or cracked products are then sold to customers with Shell being HRC's principal customer. HRC has a licensed capacity to deliver up to 156,000 barrels per day of cracked products.

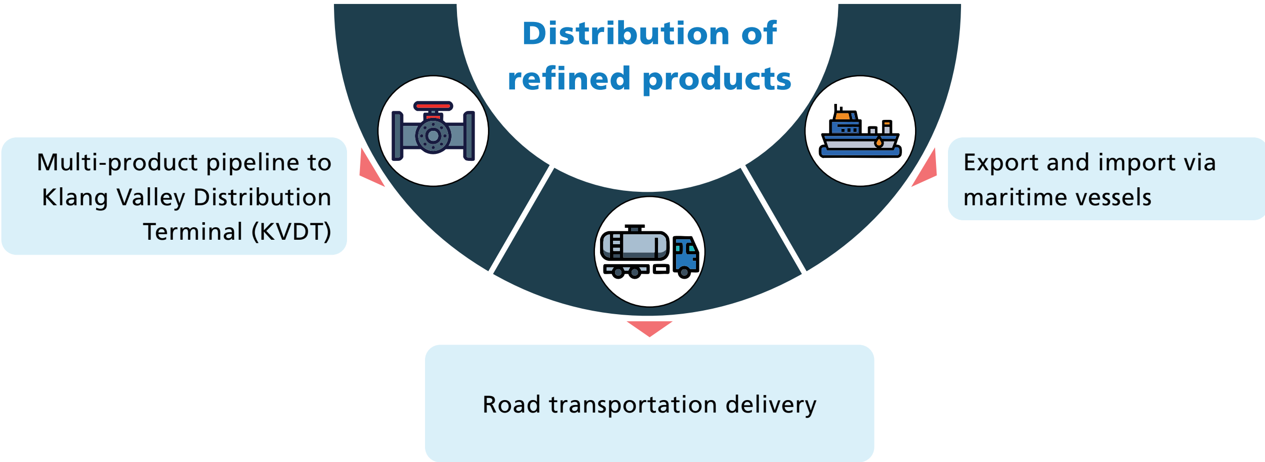


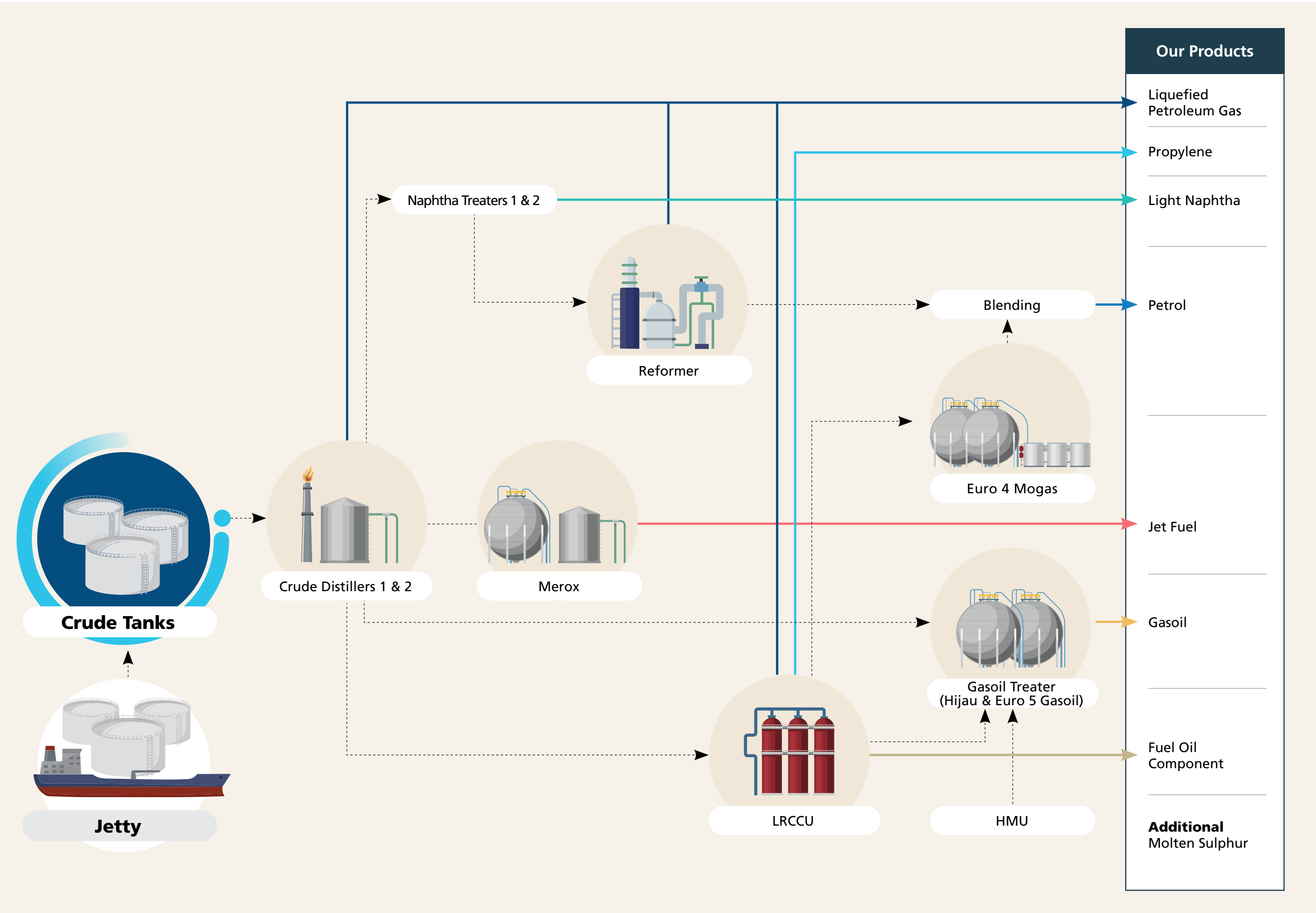


Crude oil is procured from Malaysia and from across the world. The refining plant comprises two crude distillers, a long residue catalytic cracker unit ("LRCCU"), two naphtha treaters, one kerosene Merox plant, one platformer, two hydro-processing units, a Hydrogen Manufacturing Unit ("HMU") and sulphur recovery unit. Also part of the operations is a Euro 4 Mogas unit that produces petrol and Euro 5 grade gasoil.

More than 80% of refined products are sold in Malaysia and the rest exported across Southeast Asia. Refined products are shipped to customers through the multi-product pipeline, truck loading gantry for West Malaysia customers and via maritime vessels through the jetty to East Malaysia and overseas markets.

Our Business Model and Business Overview





FY2024 Strategic Review:
Values Created in Accordance to Our Business Pillars

In addition to financial pillars, HRC continues to measure its performance across identified business pillars. These pillars have direct or indirect materiality to financial, business and operational performance, over short, medium and long-term perspectives. Hence, the continued measurement of progress achieved across all five pillars.

1 People & Leadership

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

2 Operational Excellence

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

3 HSSE & Compliance

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

4 Stakeholder Value

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

5 Future Focus

- Continuous improvement
- Investment projects
- Growth ideas

People & Leadership

Human capital remains essential to present and future operational requirements. Hence, talent management (comprising talent acquisition, retention, compensation as well as employee satisfaction and morale) continue to be prioritised.

Key Initiatives in 2024:

Working with Values: The successful completion of the pitstop maintenance exercise that began in December 2024 demonstrates HRC's core values – ICARE (refer to page 7 for further elaboration). This milestone reflects the INTEGRITY with which every employee carries out their responsibilities including the COLLABORATION across departments and contractors, the ACCOUNTABILITY shown in meeting critical timelines, the RESPECT for safety and one another, and the ENTREPRENEURIAL spirit that drives innovative solutions to overcome operational challenges. The accomplishment of the challenging task reflects the inherent strength of HRC's values-driven culture and its collective commitment within to uphold operational excellence.

Employee Engagement: Throughout 2024, town hall meetings, team-building activities, and festive celebrations such as Chinese New Year, Hari Raya Aldifitri and Deepavali were held to cultivate a sense of togetherness and belonging within the Company.

Hari Raya celebration with employees

FY2024 Strategic Review:
Values Created in Accordance to Our Business Pillars

Retention & Recognition: In 2024, HRC honoured 72 long-serving employees and retirees at the Long Service Award and Retirement Ceremony. The ceremony recognises the invaluable contributions of employees whose service tenures span 10 to 40 years.

The CEO HSSE Award, initiated by the QHSSE Department is another form of an employee recognition programme. It aims to foster a positive trend in safety interventions and further strengthen HRC's safety culture at site. Monthly winners receive a token of appreciation and are invited to a high-tea session with the CEO.

Talent Development: The Company conducted almost 100 training programmes, amounting to 9,606 training hours, covering leadership, technical skills, digital capabilities, sustainability management and soft skills. Our annual Training Needs Analysis ensures targeted skill development aligned with HRC's evolving operational requirements.

Succession Planning: A structured rotation and succession planning framework continues to be developed – focusing on the identification of critical roles and positions within each department. This initiative aims to preserve and transfer essential knowledge and responsibilities – ensuring continuity in business operations and productivity. It also aligns with the Company's broader sustainability efforts to build long-term organisational resilience.

Operational Excellence

Operational Excellence is reflected in the continuous pursuit of improving margin yields, output and quality of cracked products, reducing wastage and waste as well as in reducing emissions and improving performance.

Key Initiatives in 2024:

Reliability: In line with our commitment to operational excellence and asset reliability, the refinery undertook a pitstop maintenance exercise in December 2024, following the completion of the Turnaround ("TA") in 2023. While the TA addressed major maintenance requirements, subsequent routine monitoring and performance diagnostics identified a developing issue in the cat cooler, necessitating the urgency for timely and targeted intervention. The December pitstop enabled the Company to conduct thorough inspections on other critical equipment as well as scheduled maintenance. It is a pre-emptive measure that reduces future operational risks.

Effective Work Processes: HRC remains committed to enhancing work processes to drive operational excellence and organisational efficiency. Through the implementation of structured systems, standardised procedures, and ongoing process improvements, we aim to ensure consistency, reduce inefficiencies, and deliver high-quality outcomes. These efforts support better decision-making, foster cross-functional collaboration, and contribute to a more agile and responsive organisation.

Cost Efficiency: Cost efficiency is embedded in both the Corporate Balanced Scorecard and individual Key Performance Indicators (KPIs). Cost management is a shared responsibility, where every employee plays a vital role in identifying opportunities for savings and operational improvements.

Refining Margin: The successful implementation of 13 Business Improvement Plans (BIPs) tactics are expected to deliver an estimated contribution of USD7 million annually to overall margins commencing from 2025, depending on their utilisation. This achievement marks our continuous efforts to optimise refinery performance and drive greater efficiency and value.

Product Quality: HRC's Product Quality Assurance and Laboratory Administration Programme ensured all product specifications met stringent industry standards. There were zero customer complaints in 2024.

FY2024 Strategic Review:
Values Created in Accordance to Our Business Pillars

HSSE & Compliance

HSSE (Health, Safety, Security & Environment) is equivalent to HRC's license to operate. In 2024, the Company has continued to emphasise a zero tolerance, no compromise stance on occupational safety and health, community health and safety and to all regulatory requirements stipulated by the authorities.

Key Initiatives in 2024:

Process Safety: During the year under review, we continued to strengthen our process safety culture, achieving zero API Tier 2 incidents and recording only one API Tier 1 Process Safety event in accordance with API 754 - LOPC Tier 1. A comprehensive investigation was conducted to identify root causes and improvement opportunities. Key learnings were systematically documented in iMax (a system that captures and tracks all action items) and shared across the site to enhance operational discipline and prevent a recurrence.

In demonstrating our commitment to process safety, we launched a dedicated campaign in August 2024 with the theme "NO LOPC, NO FIRE." This initiative reinforced the critical role of Loss of Primary Containment (LOPC) prevention in mitigating fire risks and maintaining a safe, reliable, and incident-free workplace. Our continuous efforts in embedding process safety excellence reflect our unwavering commitment to operational integrity and a proactive safety culture.

People Safety: HRC remains steadfast in cultivating a proactive safety culture through structured engagement and on-the-ground visibility. The Goal Zero (GZ) Walk programme is a yearly activity held within the premise of the refinery. It serves as a vital platform to reinforce safe work practices and strengthen safety ownership across the organisation. Aligned with HRC's iCARE4Safety culture, these weekly walkabouts are scheduled across the year with participation from senior management and employees across all levels and departments.

In April 2024, HRC held its annual Safety Day. This is a significant annual occasion that reinforces our commitment to the health, safety, and wellbeing of every employee. The HRC Safety Day instills heightened awareness and understanding of safety as an integral part of operations and in the daily lives of employees. A series of engaging activities were held in March 2024 which include a health check, games and a fun run, where activities were designed to cultivate awareness, active participation and deeper engagement on safety-related matters.

Security and Emergency Response: In January 2024, the Company successfully executed Tier 3 Exercise Merbok VIII, simulating multiple emergency scenarios including explosions, fires, rescues, HAZMAT, and medical incidents. The exercise, conducted in alignment with HRC's Emergency Response Plan (ERP), Pre-Incident Plan (PIP), and National Security Council Directive No. 20 (MKN 20), involved the deployment of resources across key areas and involved the participation of 425 personnel.

HRC also hosted the Mutual Aid Agreement Signing Ceremony with Petron Malaysia Refining and Marketing Berhad. This agreement strengthens our commitment to safety, effective emergency response, ensuring the well-being of our employees and the surrounding communities. This partnership reflects HRC's shared responsibility to build a safer and more resilient future, further reinforcing our commitment to protecting our operations, employees, and the environment.

Environment: HRC continued to conduct quarterly environmental monitoring ambient air quality, noise levels, vibration, marine water, effluent discharge, soil and groundwater quality, stack emissions and lab fume hoods. These monitoring efforts help ensure that operations remain compliant with environmental standards while minimising environmental impact.

Health: As part of our commitment to employee health, HRC in September 2024, launched an awareness programme titled 'Introduction to Non-communicable Diseases (NCDs)'. The programme was designed to enhance employees' understanding of NCD prevention and management. The programme featured health screenings to provide employees with insights into their health status, interactive workshops on managing NCD risks, and team-based exercises aimed at promoting physical and mental well-being. These efforts reflect our ongoing commitment to creating a supportive and health-conscious work environment that enables employees to thrive.

FY2024 Strategic Review:
Values Created in Accordance to Our Business Pillars

Sustainability: HRC has partnered with the Department of Fishery Malaysia (DOF) for the "myUNJAM 2024 Bersama Komuniti Nelayan Bagan Pinang" programme. This programme was organised to support the local fishing community by promoting sustainable income sources for fisherman in Bagan Pinang, Port Dickson, reliant on healthy marine ecosystems and to restore the marine ecosystem by addressing challenges like overfishing, pollution, and the impacts of climate change. A central focus of the event was the deployment of the *unjam*, a traditional fish aggregating device. The *unjam* provides essential shelter, breeding grounds, and food sources for various fish species, promoting biodiversity and encouraging fish populations to thrive. This aligns with our broader goal of promoting sustainability. In tandem with this goal, we have also released fish seeds into the ocean to further contribute to the regeneration of marine life.

In promoting sustainability education amongst employees, HRC has also collaborated with Universiti Kuala Lumpur (UniKL) to organise an introductory workshop on Life Cycle Analysis (LCA). It is a crucial tool in advancing ESG and sustainability efforts that enables us to evaluate the environmental impact of a product, service or process across its entire lifecycle, from raw material to disposal.

Compliance: Pertaining to governance, quarterly reviews by the Environmental Regulatory Compliance Monitoring Committee (ERCMC) and Board Risk Management Committee (BRMC), were undertaken in 2024. These reviews reinforced Board and Management oversight as well as the accountability on HRC's operations including internal processes and controls.

Stakeholder Value

At the heart of the HRC's business model and focus on value creation, is the generation of positive impacts and outcomes for its diverse and varied stakeholders. In essence, this is the delivery of continued benefits for stakeholders in a proactive manner that actively considers the needs, aspirations and concerns of stakeholders. Engagement is undertaken towards effectively addressing stakeholders' needs, aspirations and concerns.

Key Initiatives in 2024:

Customers: While mogas, jet fuel, and gasoil remain our top three products, HRC continues to diversify its products and customer base while optimising crude and maximising value creation. In February 2024, HRC marked a significant milestone by signing a term agreement with PTT International Trading, the trading arm of Thailand's state-owned oil and gas company, for the sale of up to 96 kilotonnes of propylene over a one-year period. Propylene, a high-value by-product of the refining process, strengthens HRC's product mix and supports our strategic aim to capture emerging opportunities in regional markets. This agreement underscores HRC's commitment to delivering quality products that meet evolving market demands while enhancing the overall efficiency of our operations.

Shareholders: HRC continues to ensure timely, regulatory compliant and transparent communications and disclosures with all stakeholders, notably with shareholders, investors and the investment / financial community. Towards this end, investors relations remains a core aspect of the Company's approach to stakeholder engagement.

Government Authorities: HRC remains committed to fostering strong, trust-based relationships with key regulatory and government authorities at the federal, state, and local levels. These engagements are vital in ensuring alignment with applicable laws, policies, and environmental standards, and serve as the foundation for sustaining our social license to operate.

Throughout 2024, HRC conducted multiple structured dialogues and engagements with agencies such as the Department of Environment (DOE), Department of Occupational Safety and Health (DOSH), the Port Dickson Municipal Council (MPPD), and the Negeri Sembilan State Government. These sessions provided critical platforms to discuss compliance updates, operational safety performance, environmental expectations, and community concerns.

The year also saw several high-level visits and compliance walkthroughs by senior representatives from regulatory bodies and local authorities. These interactions reaffirmed HRC's commitment to transparent operations, regulatory compliance, and environmental stewardship. In parallel, HRC continued active participation in industry working groups and regulatory forums, ensuring that the Company remains aligned with evolving expectations and contributes positively to policy and community development.

Lenders: With regard to financiers and lenders, HRC has continued to meet all repayment commitments for 2024. This has led to the Company further bolstering its credibility among the financial community.

FY2024 Strategic Review:
Values Created in Accordance to Our Business Pillars

Suppliers: HRC values strong and reliable relationships with our suppliers, recognising their critical role in supporting our operational continuity and business objectives. We work closely with a diverse network of vendors to ensure the timely delivery of quality goods and services, while upholding standards of integrity, safety, and compliance. By fostering transparent engagement and responsible sourcing practices, HRC builds long-term partnerships that contribute to mutual growth and resilience across our supply chain.

Neighbours and Communities: As an industrial operator with residential developments having expanded in close proximity to the plant over time, HRC recognises that maintaining strong, respectful, and transparent relationships with neighbouring communities is fundamental to our long-term sustainability.

In 2024, HRC organised two *Hari Bersama Komuniti* (Community Day) programmes in July and November as part of our ongoing commitment to proactive community engagement. These initiatives served as open platforms for dialogue, knowledge-sharing, and addressing residents' concerns on topics such as safety, environmental performance, and operational activities. They also helped strengthen goodwill and mutual understanding between HRC and the local population.

Beyond formal events, HRC remained attuned to community sentiments by maintaining open communication channels, conducting direct engagements, and responding to feedback received through various platforms, including local councils, social media, and other community touch points. The Company continues to refine its stakeholder feedback loop to ensure issues raised are addressed timely.

HRC actively supported local festive and cultural celebrations such as Ramadan, Hari Raya, Chinese New Year, and Deepavali through food aid and in-kind contributions. These efforts reinforce HRC's broader social responsibility commitment and its respect for the multicultural fabric of Port Dickson.

Future Focus

As a forward-looking organisation, HRC continues to set its sights on the horizon. Management remains attuned to the developments in the external operating environment and continues to reshape its financial, business and operational strategies towards ensuring a measured response to the dynamic environment in which the Company operates in.

Key Initiatives in 2024:

Continuous Improvement: As part of our commitment to Ensure Safe Production (ESP), HRC is upgrading its routine round check system by replacing the legacy IntelaTrac Management System with the new Intelligent Patrol Management System (IPMS). Equipped with RFID technology, IPMS is designed to elevate the effectiveness and reliability of routine inspections, reinforcing safe plant operations across the facility.

In parallel, we continue to cultivate a culture of cost consciousness, where all employees are encouraged to actively contribute ideas and tactics that support our cost saving initiatives. This collective effort is embedded in our corporate Balanced Scorecard and individual KPIs, reinforcing shared accountability for delivering sustainable value.

Investment Projects: Major projects in the pipeline for the next 1-2 years are as follows: remaining works on the anchor chain Single Bouy Mooring (SBM), and the Flare Gas Recovery Unit (FGRU) project. The Air Separation Unit (ASU) has commenced and completion is expected in 2026 while Euro 4 Mogas plant will be upgraded to Euro 5 Mogas (E5M) in order to comply with the new E5M criteria set by the authorities. which is expected to come into effect in September 2025. Further assessment are ongoing for projects such as Hydrodesulphurization 2 (HDS-2) Second Reactor, additional Catalyst Cooler, and Reactor Top Dome Replacement/Upgrading (Atlas 3), among others.

Growth Ideas: HRC has developed clear plans to sustain and enhance value creation over the short, medium and long-term perspectives. These are explained in specific details in the our Strategic Priorities section of this report.

Kindly refer to the Strategic Priorities section for more information

FY2024 Key Performance Indicators (KPIs)

HRC measures its value creation performance based on both financial and non-financial key performance indicators. The former includes business and operational indicators while the latter comprises ESG indicators. These have been incorporated into a companywide Business Performance Scorecard.

KPI SCORECARD		2024	2023	2022	2021	2020
SAFETY	Lost Time Injuries (LTI)	**0**	0	1	0	1
	LTI Free Manhours Worked (Million)	**6.9**	5.2	2.5	6.9	3.0
	Process Safety Events (API Tier 1)	**1**	1	0	0	1
	Process Safety Events (API Tier 2)	**0**	4	3	1	2
	First Aid Cases (FAC)	**4**	7	3	2	6
PRODUCTION & RELIABILITY	Operational Availability %	**92.1**	99.3	93.7	96.9	95.4
	Unplanned Downtime (UPDT) %	**7.4***	0.7	6.2	2.5	4.6
	Production Volume (million bbl)	**36.8**	32.0	37.8	35.0	34.2
MARGIN & FINANCIAL PERFORMANCE	Gross Profit/(Loss) Margin (USD/bbl)	**1.2**	(1.0)	2.5	7.2	2.7
	Sales Volume (million bbl)	**39.8**	34.0	39.7	36.3	35.1
	Revenue (RM million)	**17,212**	15,399	21,142	12,006	7,176
	(Loss)/Profit After Tax (RM million)	**(358)**	(489)	(158)	83	251
	Net cash from/(used in) operating activities (RM million)	**134**	(25)	17	224	435
	Quick Ratio	**0.5**	0.5	0.6	0.6	0.9
RETURN ON INVESTMENT	Shareholders' Funds (RM million)	**1,150**	1,403	1,374	2,052	2,168
	Earnings/(Loss) Per Share (sen)	**(119)**	(163)	(53)	28	84
	Return on Average Capital Employed (times) (EBIT/(Average total assets-average current liability)	**(0.1)**	(0.2)	(0.1)	0.1	0.1
SUSTAINABLE DEVELOPMENT	**Natural Resources**					
	Energy Intensity Index (EII)	**114.0****	104.8	113.8	113.1	116.9
	Effluents - Average Oil in Water Concentration (avg mg/l)	**4.0**	3.3	1.0	0.6	1.7
	Raw Water Consumption (Million m^3)	**2.6**	2.1	1.8	1.9	1.9
	Waste Management					
	• Effluent Water Discharge (Million m^3)	**2.4**	2.5	2.5	2.0	1.9
	• Effluent Treatment Plant (ETP) Sludge (MT)	**20**	99	509	196	328
	• Spent Oil Water Emulsion (MT)	**227**	243	342	774	1,102
	Public Complaints	**2**	1	3	1	10
	Social/Community Project Investment (RM'000)	**28.3**	25.3	32.0	26.2	19.6

* *Refer to HRC SR2024 page 33 on explanation pertaining to UPDT*
** *Refer to HRC SR2024 page 43 on explanation pertaining to EII*

Chairman's Statement

Dear Shareholders,

I am pleased to present our first integrated annual report and audited financial statements of Hengyuan Refining Company ("HRC" or "the Company") for the financial year ended 31 December 2024 ("FY2024").

Wang, YouDe

Chairman

2024 has indeed been very challenging with the oil and gas industry experiencing significant market volatility. Prices of crude oil and refined products fluctuated significantly throughout the year, exacerbated by increasing global geo-political turbulence. This included the Russia-Ukraine conflict, tensions in the Straits of Hormuz in the Middle East, tightening of sanctions on Russia and various other developments across the year.

The outcome of the US Presidential elections had also impacted supply and demand dynamics of crude oil, especially in the 4th quarter of 2024. In 2024, price of crude oil (Brent) ranged between USD70 to USD90 per barrel.

Chairman's Statement

Beyond external market factors, HRC's financial performance was also affected by several internal developments. Technical issues encountered in March 2024, necessitated the refinery to operate at reduced intake capability. This was followed by the necessity in June 2024 to initiate an unplanned downtime ("UPDT") to address a leakage found at the carbon monoxide boiler of the long residue catalytic cracking unit (LRCCU). Though this did impact production capability, it was also a proactive and forward-thinking action plan towards ensuring operational safety and the safety of all stakeholders, including local communities.

It was a challenging situation we faced but one where swift and timely action was taken. HRC has always ensured that first and foremost, the wellbeing of our people; our employees, the nearby communities and others are well safeguarded.

> We are confident that gas oil maximisation strategies and targets can be achieved within our current plant capabilities by implementing advanced process control and automation in our hydro processing units.

Post completion of intervention works, we have successfully rectified the issues and have restored full operational capability. The lessons learnt in 2024 have been well applied towards strengthening our operations. The benefits derived from the UPDT is already evidenced in increased efficiencies and a higher operational yield including higher intake capability. We are once again, well on track in meeting our intake and production targets.

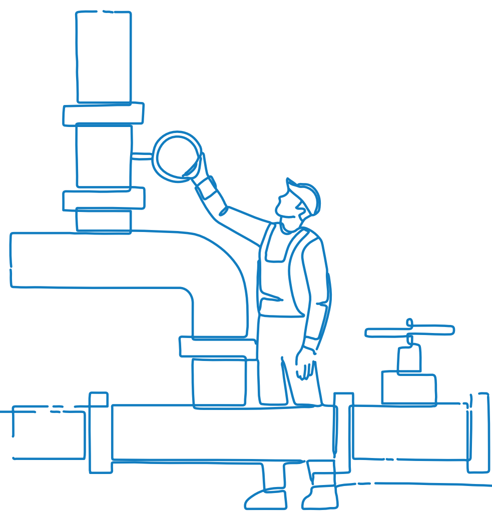
2024 has also been a year of positives.

While we continued to sell to our principal customer Shell, we were successful with our customer diversification strategies. 2024 has led to several new sales and supply contracts that have resulted in over RM186 million in sales. These include PETRONAS, PETRON, and FIVE. Such contracts enable revenue diversification through the supply of refined products at higher price points. HRC has also secured a one-year sales contract to supply propylene to Indonesia.

HRC in its past five years have invested more than RM2.2 billion and we intend to continue our allocation of CAPEX to further enhance plant production capacity and capabilities. This includes improved ability to generate higher margin cracked products such as sustainable aviation fuel and others.

Another important achievement in 2024 was the successful implementation of our 13 Business Improvement Plans ("BIPs"). These initiatives were driven by innovation and the development of creative ideas from conception to execution, are projected to contribute approximately USD 7 million annually to our overall margins, starting in 2025. These BIPs represent a concerted effort to optimise plant performance and enhance efficiency across our operations.

Furthermore, we have been focusing on maximising gas oil production and upgrading lower-value cracked cycle oil to high-value EURO 5 gas oil throughout the year.



Chairman's Statement

PRIORITISING SAFE OPERATIONS AT ALL TIMES

In 2024, HRC has recorded zero fatalities or major lost time incidents ("LTI"). Our LTI rate remains at ZERO. Also worth noting is our continued compliance to the standards set by the regulatory authorities for air emissions, effluent and waste. The full details are provided in our Sustainability Report.

Our strong Occupational Safety & Health ("OSH") performance can be attributed to the standard operating procedures we have established and have diligently followed, but also in the unequivocal commitment and passion to ensure a safe, secure and healthy work environment at all times.

Management has continued to lead by example – going to ground to personally identify issues and to maintain an active physical presence at the operational site. In 2024, there was an increased number of Goal Zero Walks. Progressively, we have developed an inherent culture that emphasises OSH and operational excellence in all that we do. OSH is one of our fundamental business strengths that in turn, inspires the confidence and morale that enables HRC to operate at its best.

We shall continue to strengthen our OSH practices. Existing practices such as monitoring of leading indicators i.e. unsafe acts and unsafe conditions and absentee rates will continue to go together with the use of lagging indicators such as loss time incidents, injuries and others. We will continue to adopt a no-tolerance, zero compromise position on the safety of our people, our assets and stakeholders at all times.

CARING FOR THE COMMUNITY

We take pride in being a conscientious corporate citizen who plays an active role in safeguarding the interest of our local communities.

Given the proximity of our operations to the surrounding homes and the town of Port Dickson, we are especially sensitive of the need to operate in an environmentally and socially responsible manner. In fact, the presence of HRC has been a positive socio-economic force, providing employment opportunities for local talents, supporting local businesses and also in enabling the development of various infrastructure.

In 2024, we have continued to prioritise stakeholder engagement as evident in the number of community dialogues and interactions had throughout the year. Specifically, we have looked to contribute to Malaysia's unique multicultural and multi-ethnic diversity by adding to the merriment and festivities of local cultural celebrations. As a company that embraces diversity and inclusivity, we continued to make a positive impact by also participating in local community festive celebrations by providing assistance in terms of food aid and other contributions.

We will remain steadfast in operating in a sustainable manner that creates value while remaining cognisant and attuned of the needs, aspirations and concerns of our stakeholders.

The full account of our various stakeholder engagement activities and outcomes created are provided in SR2024.

FINANCIAL PERFORMANCE

The current financial performance has been significantly impacted by prevailing market forces, which had narrowed the margins for cracked products. In addition, the necessity for the UPDT also impacted financial performance.

However, improvements in hedging position, coupled with other measures such as closer monitoring of FOREX movements, cost reduction and operational efficiency strategies have enabled HRC to achieve a gross profit performance and to significantly narrow its loss after tax position for the year.

Revenues have risen on the back of increased sales and we remain operationally stable with a healthy retained earnings and cash and cash equivalents of RM986.8 million and RM670.3 million respectively as at end 2024.

Specific details of the Company's revenue and earnings are provided in the Management Discussion and Analysis section of this integrated report.

Chairman's Statement

We continue to have the strong support of our parent company, Shandong Hengyuan Petrochemical Company Limited ("SHPC").

We are confident of our fiscal position going forward, which given our enhanced market attuned business and operational strategies, should hold us in good stead going into 2025.

OUTLOOK AND PROSPECTS

Operating conditions remain challenging for oil and gas players. Market turbulence and the reverse in policies by the US is expected to have a destabilising effect on crude oil and gas dynamics. It remains to be seen if increased exploration and production activities by the US can be tempered by OPEC + practicing continued strict quota discipline going forward. The commitment by OPEC+ to withhold any production increases until April 2025 and extending its schedule for easing output restrictions to the end of 2026 does provide a measure of support to crude oil prices.

Management has re-strategised its hedging position, thus providing greater insulation and flexibility in responding to changes in global crude oil price movements. In terms of operational strategies, our focus remains on continuing to improve intake capacity, in further driving cost and operational efficiencies, in ramping up production and also focussing on customer development to achieve revenue diversification.

On the longer-term horizon, HRC will explore alternatives such as green hydrogen and solar generation. Management continues to undertake studies on the feasibility of venturing into these greenfield opportunities, notably the commercial viability and the required gestation period for such ventures.

On the whole, the investments made are beginning to yield results, which will hold us in a stronger stead as we move forward. HRC is already experiencing notable increments in customer demand for our cracked products. We shall continue to provide our products, playing our role in meeting the nation's energy needs.

Management has also identified various other improvement opportunities and these if deemed value accretive, will be progressively implemented in 2025. These include several business improvement plans such as the flare gas recovery project and others.

APPRECIATION AND ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I wish to take this opportunity to convey our sincere thanks to the Management and staff of HRC who in facing most challenging circumstances, have exemplified excellent professionalism and commitment in 2024. Their contributions, resilience and ingenuity have no doubt played a pivotal part in setting HRC on the right path for continued progress and development. Similarly, we also extend our appreciation to all stakeholders who have been instrumental in HRC's journey in 2024. These include our customers, business partners and suppliers, government ministries, agencies and regulatory authorities, shareholders, bankers and local communities.

I would like to take this opportunity to extend our heartfelt appreciation to Mr Wang Zong Quan (retired in November 2024) and Mr Alan Hamzah Sendut (retired in December 2024) for their invaluable contribution during their tenure on the Board of HRC. At the same time, we are pleased to welcome Mr Peter Ho Kok Wai, who joined the Board of Directors in March 2025, and Madam Yeo Bee Hwan, who assumed the position of Chief Financial Officer in August 2024.

Together, let us continue to journey to greater heights of success and accomplishment in the year ahead. I look forward to continuing serving you with passion and commitment.

DIVIDEND STATEMENT

Given the financial performance of HRC and the volatility of market conditions in 2024, in compliance with the Companies Act 2016, the Board has deemed it prudent to not declare any dividends in respect of 2024. The Board will consider the possibility of declaring shareholders' dividends upon HRC returning to profitability in the near future.

Wang, YouDe
Chairman

Management Discussion and Analysis

OPERATING YEAR IN REVIEW

In 2024, global crude oil prices fluctuated significantly throughout the year with an average monthly range-bound movement between USD70 to USD90 per barrel. Sluggish demand and relatively high supply outside of the OPEC+ countries contributed to this trading range.

Weaker than expected global economic growth was a major factor in influencing overall demand for crude and cracked products. Slowing economic activity and reduced fuel demand in China limited upward price momentum.

Geopolitical tensions in the Middle East and shipping disruptions in the Red Sea continued to pose shocks to price equilibrium but several extensions of OPEC+ production cuts ensured prices remained range bound. OPEC+ countries continue to adhere to set quotas, which was pivotal in managing production levels to prevent oversupply. Still, production growth from non-OPEC+ members continued to increase, offsetting to a certain extent the effect of OPEC+ production cuts.

This included the persistence of the US to pursue a policy of energy independence which led to the country continuing to lead in oil production in 2024.

Other factors that shaped the 2024 energy landscape were high interest rates and rising materials costs, evolving policies and regulations, and the emergence of new technologies such as carbon capture and storage and more.

Emerging paradigms in the oil and gas industry

Potential disruptors

Geopolitical uncertainty
- Evolving situations in Eastern Europe and the Middle East
- Changing patterns of global trade

Emergence of new technologies
- Majority of clean energy technologies remains under development
- Securing supply chain is imperative for upcoming technologies

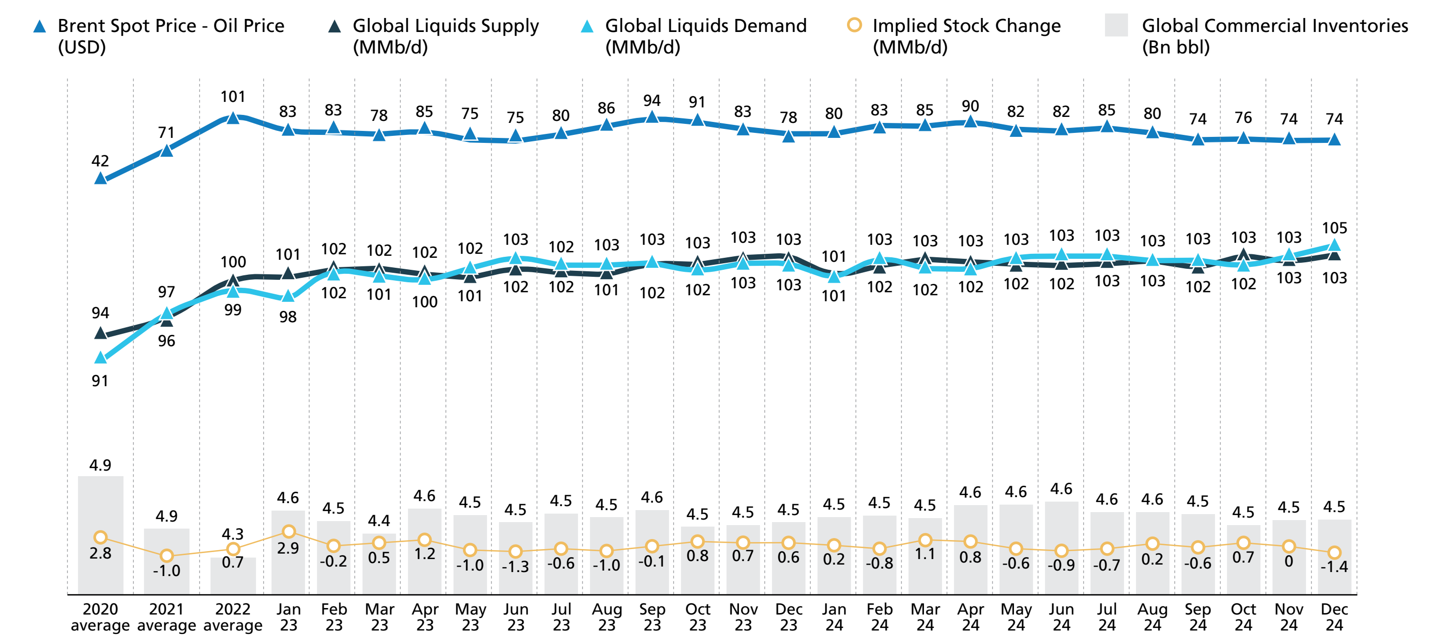
Macroeconomic environment
- High inflation is increasing material and capital costs
- Rising interest rates is driving 10-year treasury yields to their highest level since 2007

Policy and regulatory initiatives
- Net-zero emissions by 2050 targeted by 106 nations
- Governments worldwide allocated USD1.34 trillion in clean energy since 2020

Management Discussion and Analysis

In addition, continued changes in the energy mix such as the ongoing switch to liquefied natural gas ("LNG") for trucks in China's transportation sector continues to affect overall consumption demand of crude. The rise of electric vehicles ("EVs") also remains a pivotal factor in weakened demand for liquid fuels in China.

Crude Oil: *Brent Prices an Demand and Supply Dynamics*



Management Discussion and Analysis

OVERCOMING CHALLENGES, EXEMPLIFYING RESILIENCE

This year has been challenging for the refinery segment of the downstream value chain due to the aforementioned fluctuations in the crude oil market as well as the narrowing of margin for cracked products. The lower crude oil prices continued to erode the spread for refiners. In addition, non-refined fuels such as natural gas liquids and biofuels had further undermined demand for refined products. This placed pressure on operating rates and refinery profitability for most refiners, especially in mature demand centres.

In 2024, HRC focussed on a multi-pronged strategic approach. The first was improving our hedging position to enable greater flexibility to changes in market prices. This was notably effective in the second half of the financial year with HRC reducing its exposure. Importantly, this establishes stronger positions that will defend margins going forward into 2025.

In boosting product demand, customer diversification activities were undertaken in 2024 to positive effect. Several sales and supply agreements were achieved, generating RM186 million in sales.

Refining operations were also enhanced with several Business Improvement Plans ("BIPs") undertaken during the year. These included works on the plant capacity enhancement, high value product yield improvement, reducing quality giveaway, savings in OPEX and other business and operational optimisation.

A key priority throughout the year was maximising gas oil production and upgrading lower-value cracked cycle oil to high-value Euro 5 Gas Oil (E5G). The gas oil maximisation strategies and targets can be achieved within our current plant capabilities with the implementation of advanced process control and automation in our hydro processing units.

Other improvement programmes undertaken was the replacement of the single buoy mooring ("SBM") including replacement of four anchor chains. Post modifications, the system has definitely reduced risks of oil leakage and has contributed to HRC's continued zero major spill performance in 2024.

However, operational performance of the refinery was impacted by technical issues during the year, including a major unplanned downtime ("UPDT") incident in June 2024. The UPDT entailed the shutdown of the long residue catalytic cracking unit ("LRCCU") due to a leakage detected at the carbon monoxide boiler ("COB").

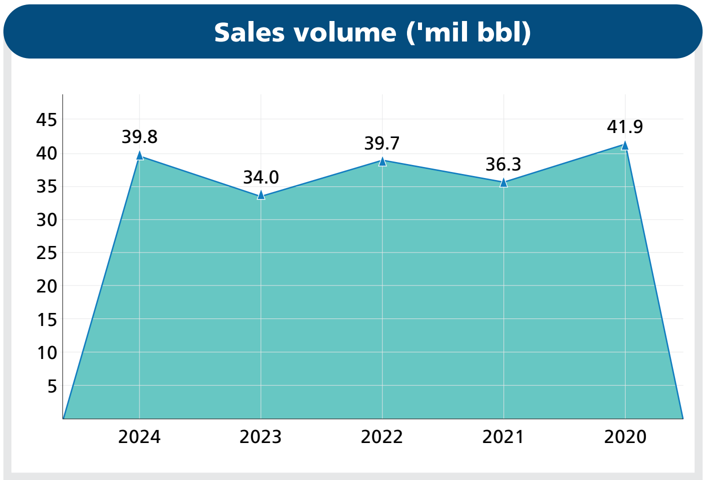
The LRCCU's primary purpose is to convert high-boiling point hydrocarbon fractions of crude oil into high value consumer petroleum products. With the shutdown of the LRCCU, in compliance to regulatory requirements, the refinery's hydrogen manufacturing unit ("HMU") and Euro 4 Mogas (E4M) facilities were also shut down for internal inspection and checks by the regulatory authorities. The shutdowns from the UPDT, together with repair works on the COB had resulted in the average refining capacity dipping to 131,850 barrels per day compared to business plan 2024 capacity of 135,000 barrels per day for 2024. The challenges experienced were further compounded by issues with production yield, specifically for selected cracked products.

DELIVERING OPERATIONAL EXCELLENCE

While the aforementioned unexpected operational challenges had impacted business performance, HRC had continued to ensure fulfilment of all customer orders, even during the UPDT period. Works undertaken to expeditiously rectify all issues were successfully completed, allowing a swift return to regular production levels.

The UPDT period was also leveraged to undertake regular inspection activities for the HMU and E4M assets. This negates the need for a further outage as originally planned for end 2024.

Despite the many challenges faced, HRC produced a total of 36.8 million barrels of refined products in 2024.



Daily inspection carried out by HRC employees

Management Discussion and Analysis

FINANCIAL PERFORMANCE

Revenue and Gross Margin

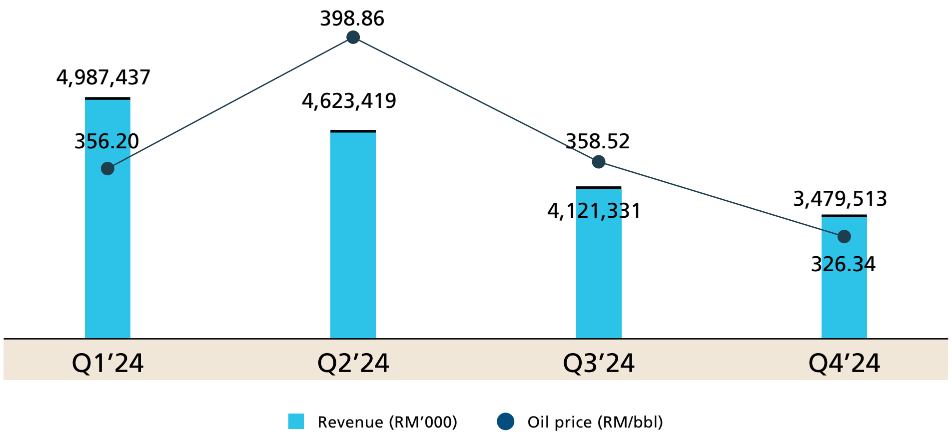
The aforementioned UPDT and various other operational disruptions had impacted HRC's overall financial performance in 2024. In addition, weakening crack prices on main products namely U95 (mogas), jet fuel and gas oil and unfavourable FOREX fluctuations had impacted revenues and earnings. HRC purchases crude oil in US Dollar and sells refined products in the domestic currency.

The thinning of margins for cracked products had also affected earnings during the year. A 8% decrease in average product prices coupled with the effects of the weakening US dollar against the MYR as compared to 2023 were also factors affecting fiscal performance.

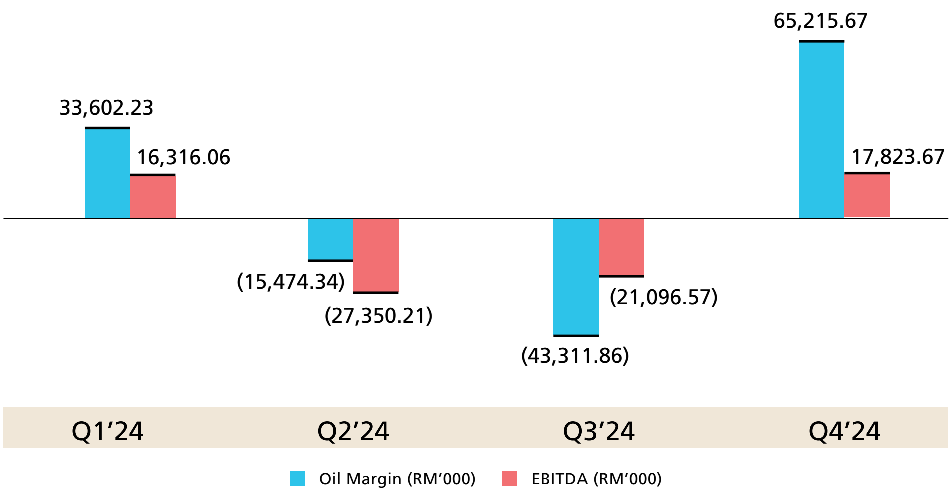
Looking back on 2024, the first quarter (Q1) remained positive for HRC. Price fluctuations were relatively stable and acceptable to the Company's business and financial strategies. Margins remained relatively healthy.

However, subsequently, earnings were affected as market conditions grew more turbulent due to increased fluctuations and exposure to higher than forecast prices for crude oil.

Quarterly Revenue For FY2024



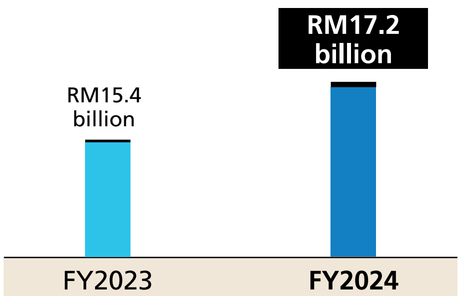
Quarterly Oil margin & EBITDA For FY2024



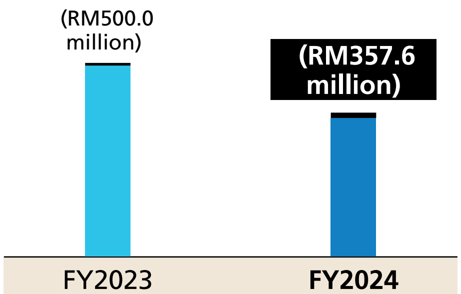
In 2024, strategic actions taken by Management have resulted in improved revenues and a reduced loss making position vis-à-vis 2023. 2024 saw HRC register a 11.7% year-on-year increase in revenues to RM17.2 billion (2023: RM15.4 billion), while there was a significant 28.5% reduction in pre-tax losses to RM357.6 million (2023: RM500.0 million). HRC's financial position continues to improve post the measures undertaken. These comprise the implementation of improved hedging positions, coupled with continued efforts to yield increased cost and operational efficiencies.

Management Discussion and Analysis

Total Revenue



Profit/(Loss) After Tax

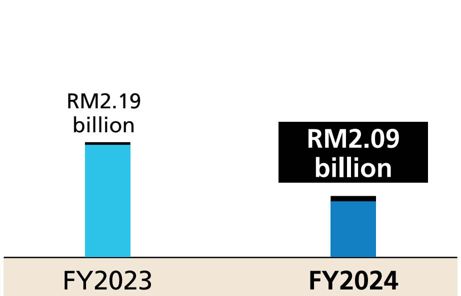


Management wishes to affirm that HRC remains operationally profitable as reflected in gross profit of RM196.7 million. This is a significant improvement as opposed to 2023's gross loss making position of RM143.9 million.

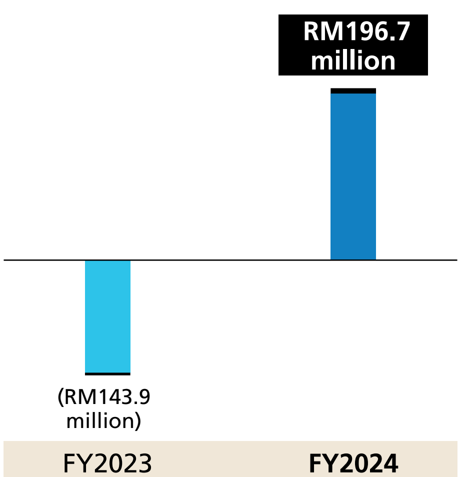
Management has shifted towards shorter-term hedging positions in tandem with ongoing volatility in the oil and gas industry. This has enabled HRC's exposure to reduce and the subsequent narrowing of its loss making position in subsequent quarters.

Reserves accumulated over the years provide the Company with the financial capability to discharge all liabilities and to meet working capital requirements

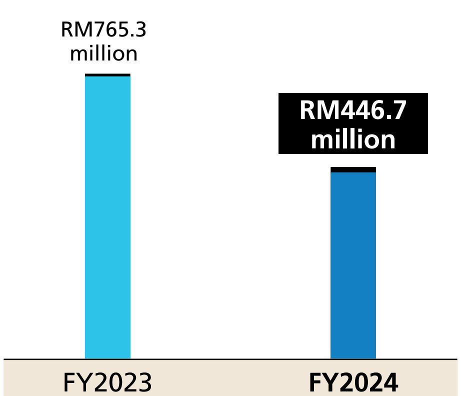
Net Fixed Assets



Gross Profit



Trade Receivables



going forward. The Company continues to hold the view that ongoing and continued enhancements and investments into the refinery and plant equipment is essential for optimal operations and driving improvements. Hence, management shall continue to explore both internal and external funding sources in financing improvement efforts and initiatives going forward.

In addition, HRC continues to have access to the capital market via its Medium-Term Notes ("MTN") facility should the need arise for additional funding. The support of Shell as the primary customer of HRC remains intact and the Company continues to hold the distinctive position of being the primary supplier for all Shell refined products.

As reflected in the balance sheet, HRC's financial position remains healthy with a strong cash and cash equivalents position. Retained earnings as of 31 December 2024, stands at a robust RM986.8 million.

Going forward, the Company is better positioned to sustain margins and product pricing, particularly for refined products such as U95 (MOGAS), jet oil, gas oil and others.

Retained earnings
as of 31 December 2024, stands at a robust
RM986.8 million

Management Discussion and Analysis

Efforts in 2024 have led to a reduced 4-week gap in purchase and selling price for inventories and improved inventory management.

In 2024, HRC's inventories declined to RM400.0 million from the preceding year's RM1.39 billion due to minimum crude and product volume held as stock at year-end, in preparation for the year-end scheduled pitstop maintenance exercise, and lower prices for both Brent crude and product prices. Brent crude prices had dipped to USD74/bbl (Dec'23: USD78/bbl) and product prices declining to USD87/bbl (Dec'23: USD98/bbl). Likewise, trade receivables also was reported lower to RM446.7 million from 2023's RM765.3 million. The decline was due to slowdown in sales at year end attributable to a shorter operating month arising from the scheduled year-end pitstop maintenance exercise. Trade receivables were also affected by lower average product prices.

Correspondingly, HRC's cash and cash equivalents position as at end 2024 stood at RM670.3 million (2023: RM1.0 billion). HRC retains sufficient cash for crude purchases and payment and to meet working capital requirements for the coming financial year.

HRC's position had improved by 88% with net derivative financial liabilities declining to RM17.6 million from the previous year's high of RM149.7 million.

Costs and Liabilities

Current liabilities mainly comprise payables and borrowings. Trade payables mainly relates to payables for crude purchases. Non-current liabilities mainly comprise of medium-term notes ("MTN"). Denominated in RM, the MTN is repayable over a remaining three (3)-year period, and is secured by way of charges on the Company's fixed assets. In 2024, trade and other payables reduced by 50.2% to RM1.16 billion from the preceding year's RM2.33 billion. A notable highlight is the significant reduction in derivative financial liabilities achieved in 2024. In 2024, HRC's position had improved by 88.3% with net derivative financial liabilities declining to RM17.6 million from the previous year's high of RM149.7 million.

On the back of the reduction in derivative financial liabilities as well as well as borrowings in current liabilities to RM1.07 billion in 2024 from 2023's RM1.22 billion, HRC's overall current liabilities decreased 39.7% year-on-year to RM2.25 billion from the previous year's RM3.73 billion. Total equity and liabilities also posted a significant decline of 33.0% to RM3.78 billion from the preceding year's RM5.64 billion.

The continued improvements in debt and liabilities is further indication of the Company's robust fundamentals and its inherent business strengths and resilience. Management's strategies have been effective in strengthening the Company's fiscal position which will enable an eventual return to stronger financial performance going forward.

Daily safety walkabout

Management Discussion and Analysis

PURSUING BUSINESS AND OPERATIONAL EFFICIENCY

The development of the departmental scorecard system in 2024 has yielded significant improvements across the organisation. The improvements are evident in facilitating more effective cost control management at the managerial, operational and unit level. Visibility on expenditures have improved and this enables closer tracking of monies spent. This promotes a bottom-up approach and encourages a shared responsibility on cost management between operational staff, line leaders at supervisory level as well as managers.

In 2024, Management's efforts in focussing on price differentiation and higher margin products. In particular, strategic efforts were made to optimise gas oil production, and to upgrade the cracked low value cycle oil to high value Euro 5 gas oil. This has yielded notable results, providing higher revenue and earnings products.

Other technological improvements included HRC engaging its SAP partner to undertake the SAP S/4HANA impact assessment for upfront preparation, upgrade and migration from the existing SAP ECC6 system to HANA system, which is mandated by SAP by the year 2030.

In October 2024, HRC underwent a successful Information Security Management System (ISMS) (ISO27001:2013) SIRIM recertification audit with a zero non-compliant record achieved. In December 2024, HRC successfully upgraded and migrated the legacy AVEVA PI System to the latest version. AVEVA PI system is an integrated solutions portfolio that enables industrial operations to collect, cleanse, store, enrich and visualise real-time operational data from the refining plant.

Cumulatively, these and other implementations have enabled greater administrative efficiency and reduced administrative costs. The results of these efforts will now lead to improved production yield at lower cost for all refined products due to the economies of scale expected to be achieved going forward.

Our Euro 4 Mogas (E4M) plant has successfully reduced the sulphur content in cracked products. HRC will upgrade the existing E4M plant to Euro 5 Mogas (E5M) in order to comply with the new E5M criteria set by the regulatory authorities, which will come into effect in September 2025. With the implementation of E5M, the sulphur content of the finished product will be reduced from 50 ppm to 10 ppm, making it more environmentally friendly by lowering harmful emissions.

DEVELOPING COMPETITIVE BASED PROCUREMENT AND A COMPLIANT SUPPLY CHAIN

As part of its cost rationalisation efforts, Management undertook a comprehensive review of business contracts and advocated an increased use of tenders (as opposed to single source) for the awarding of contracts. Cumulatively, renegotiation with suppliers together with more competitive contracts proffered through well-regulated tender process resulted in an overall saving of RM45 million in procurement cost.

One of the key strategies employed was supplier diversification by actively undertaking a procurement expansion exercise. This included a detailed business performance review ("BPR") where the performance of existing suppliers were thoroughly assessed and rated accordingly. This enabled HRC to accurately assess the quality of goods and services rendered by business partners and to then determine which should be retained and where sourcing for alternatives would be strategically beneficial to the organisation.

The exercise enabled the inclusion of over 40 new suppliers in 2024. Notably, such suppliers were local suppliers and thus the exercise further burnished HRC's credentials as a company committed to domestic sourcing towards supporting the growth and development of local businesses and local supply chains.

Management Discussion and Analysis

HRC product tanks at site

Moving forward, HRC as part of its approach to developing responsible and sustainable supply chains, would increasingly consider incorporating ESG criteria as part of the awarding of contracts.

GROWTH OF CUSTOMER BASE

IN 2024, HRC CONTINUED TO SUPPLY TO MAJORITY OF SHELL PETROL STATIONS IN PENINSULAR MALAYSIA. IN ADDITION, THE COMPANY DIVERSIFIED ITS CUSTOMER BASE THROUGH ACTIVE BUSINESS DEVELOPMENT STRATEGIES. IN 2024, SEVERAL NEW SUPPLY CONTRACTS WERE SECURED FOR REFINED PRODUCTS WITH PETRONAS, PETRON AND FIVE.

These contracts enable revenue diversification through the supply of refined products at higher price points. HRC has also continued its strategic overseas sales, with the sale of propylene gas to Indonesia. Revenue generation aside, customer diversification supports improved flexibility in pricing control and also enables opportunities to earn higher margins.

In terms of delivery mechanisms, the Company has looked to actively secure pipeline and gantry-based sales as opposed to sales by vessel, via jetty. Pipeline and gantry-based sales provide higher margins and also support a lower Scope 3 emissions profile (as opposed to other sales channels). Pipeline and gantry based sales is also consistent with the Company's business objectives of securing increased domestic sales.

New Supply Contracts

	ESTIMATED VALUE (RM' MILLION)
PETRONAS	133
PETRON	52
FIVE	1

Management Discussion and Analysis

SUSTAINABILITY

In 2024, HRC continued to focus on its environmental, social and governance ("ESG") performance. Among the notable achievements were the continued zero fatalities and zero loss time incident ("LTI") performance achieved. In addition, the current alarm rate score average of 3.39 counts per hour is lower than the internal target of 3.6 counts. The LTI rate remains at zero.

Overall, the Company's occupational safety and health ("OSH") performance reflects management strong commitment to uncompromising standards and heightened vigilance at all times, consistent with the applied practice of ensuring safe, efficient production operations wide at all times.

Another notable highlight was the recycling of lubricant oil. Lubricant oil is typically a waste product that is disposed as a scheduled waste by appointed Department of Environment (DOE) licensed 3rd party contractors. In 2024, over 13 tonnes of lubricant oil was cracked into MOGAS and gasoil. This translated into savings of RM12,000 and most importantly a more environmentally friendly approach, based on circular economy methodologies.

As a conscientious corporate citizen, in 2024, HRC played a leading role in the collection of e-Waste from its own operations and the surrounding local communities. HRC's reached out to the surrounding homes, offices and factories and consequently, collected 2.2 tonnes of e-Waste. The e-waste was collected by DOE, Negeri Sembilan for environmentally friendly disposal and where possible, recycling. As a result of its efforts, HRC was awarded first place in E-waste Competition organised by the DOE in conjunction with Hari Kelestarian Alam Sekitar Negeri Sembilan 2024. The photos below were taken at the prize giving ceremony that was organised by the local council.

Management Discussion and Analysis

OUTLOOK AND PROSPECTS

EXTERNAL OPERATING CONDITIONS ARE EXPECTED TO REMAIN CHALLENGING FRAUGHT WITH VARIOUS OBSTACLES YET ALSO RIFE WITH GROWTH OPPORTUNITIES FOR THE OIL AND GAS SECTOR. THIS INCLUDES THE DOWNSTREAM SEGMENT OF THE VALUE CHAIN I.E. REFINERS. OIL AND GAS CONSUMPTION DEMAND IS PROJECTED TO STAY ROBUST IN THE SHORT TO MEDIUM TERM, EVEN AS THE WORLD CONTINUES TO DECARBONISE.

Global growth is projected at 3.3 percent both in 2025 and 2026, below the historical (2000–19) average of 3.7 percent. Major economies such as the US is expected to see stable growth and a modest, if not strong recovery is also foreseen as a possibility for emerging markets such as China and India.

Global headline inflation is expected to decline to 4.2 percent in 2025 and to 3.5 percent in 2026. This scenario provides a sufficient backdrop for an uptick in global oil and gas consumption demand, though the prevailing factors such as geopolitical conflicts, a continued shift to EVs and non-refined fuels continue to pose risks for a strong recovery in the oil and gas sector, notably the demand for cracked products. In the Petronas Activity Outlook ("PAO"), oil prices are touted to hover between USD70 to USD90 per barrel.

Shell, one of the world's largest energy company predicts a continued significant reliance on hydrocarbons across all of its Energy Security Scenarios, well into the 22nd century. In fact, hydrocarbons remain fundamental even in its lowest growth scenario. Under such a scenario, crude oil and gas and refined products remain vital notably in terms of continued demand for petrochemicals well up to the Year 2100 as well as for liquefied natural gas ("LNG").

In some other global scenarios (PAO, International Energy Association, etc.), oil and gas is expected to still constitute more than two-thirds of the world's primary energy mix. This would serve to fuel sustained exploration and production activities. Investments though may be more controlled due to commitments to decarbonise operations and obligations to shareholders.

Investments in renewable energy and decarbonisation projects are likely to remain incremental and is not expected to have acute disruption to present oil and gas supply and demand dynamics. Oil and gas majors as well as countries are cognisant that even as they intend to shift to a non-fossil fuel-based business model, their existing hydrocarbon-based operations are essential in providing the financial capacity to power renewable energy strategies. The rise of electric vehicles and renewable energy sources such as wind and solar is expected to see increased momentum, but the world will continue to rely on hydrocarbons as a primary source of energy to power continued socio-economic growth. Amidst this outlook, refiners are increasingly diversifying into bio-based substitutes in their production of petrochemical products.

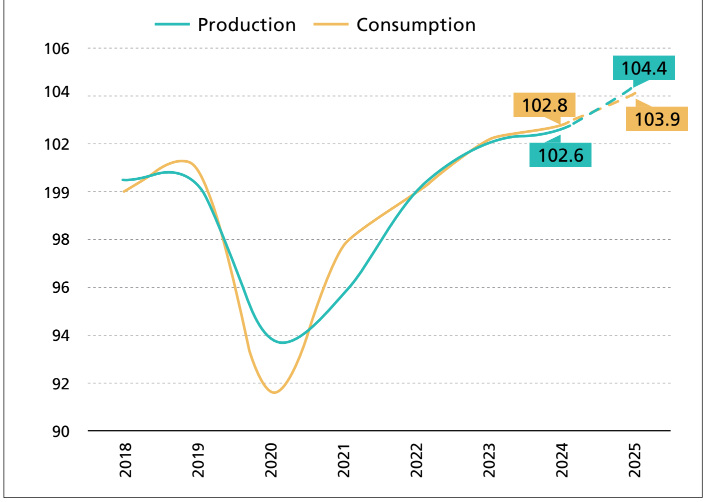
The priority is to leverage existing and emerging market potentials by diversifying product portfolio to remain attuned to customers' changing requirements for refined products.

As prior mentioned, demand for petrochemical products, specialty chemicals, Sustainable Aviation Fuel (SAF), pyrolysis oil, resins and coatings, engineered fluids, lube oil additives and chemicals and other products remain strong.

Source:
https://blogs.shell.com/category/scenarios/
https://www.shell.com/news-and-insights/scenarios/the-energy-security-scenarios/_jcr_content/root/main/section_926760145/promo_copy_142460259_1698265813 links/item0.stream/1679345012896/4dccc89eba3c80899dc0e61b43ce07839d7899ee/energy-security-scenarios-summary.pdf

Management Discussion and Analysis

World Oil Production and Consumption *(mil bpd)*



Several uncertainties could still affect future oil prices. These include heightened tensions around the critical Red Sea shipping channel and other developments in the Middle East. These could disrupt global oil trade flows and place upward pressure on crude oil prices.

The above is based on present US policies at the time of writing, where the US had initiated record high pumping, notably in the Permian Gulf. The previous incentives for EV purchase and production in country have been removed or lowered.

However, there are positives:

World oil demand growth could rise to as high as 1.1 mb/d in 2025, lifting consumption to 103.9 mb/d. This is attributed to a strong rise in petrochemical feedstocks, even as demand for transport fuels may be constrained by behavioural and technological progress.

Refinery margins may rise, notably in key trading hubs on the back of an improvement in product buying interest and lower feedstock prices across regions. This is despite rising refinery runs at the end of the heavy refinery maintenance season. On the US Gulf Coast (USGC), unplanned outages at secondary units led to upward pressure on US product crack spreads at the middle and bottom sections of the barrel.

This may persist well into 2025, notably underpinned by a shift in US energy policies towards hydrocarbon dependency.

US economic growth forecast is expected to be revised up slightly to 2.2%. The Eurozone's economic growth forecasts for 2025 remains unchanged at 1.2%, respectively. China's economic growth forecast remains at 4.7% for 2025. India's economic growth is also expected to stay the same at 6.3%.

Source: OPEC Monthly Oil Market Report
https://www.opec.org/opec_web/static_files_project/images/layout/RPT%202024-12-11%20PSD%20Monthly%20Oil%20Market%20Report%20-%202024%2012.pdf

Management Discussion and Analysis

Importantly, market conditions are beyond the control of any single company and hence, HRC has continued to develop readiness and resilience in tandem with potential risks and opportunities. Internal capacity and capabilities have been well strengthened and the company is better positioned to adapt to external operating conditions, post improvements in the hedging position. Cost efficiency and productivity improvement strategies undertaken in 2024 have laid the foundation for more optimised operations across the plant.

HRC will continue to pursue its value creation strategies. These include ramping up sales and sustaining margins of cracked products. This will be pursued by continuing to actively manage and maintain agreements for crude oil purchases and sales of oil products, including gasoline, gasoil, and jet fuel. A specific focus would be on driving inland sales and regional sales.

The Company shall also focus on expanding its supplier base towards diversifying crude supply sources to optimise profit margins.

Sustainability, HRC will continue to ensure the development and implementation of effective management approaches that would address both financial and impact materiality considerations as well as enable the Company to optimise emerging sustainability opportunities.

HRC's Sustainability Working Group, comprising a cross-functional team function as the ESG champions and will be ably supported by the Company's sustainability governance structure. This includes the Board of Directors and Management, specifically through the Sustainability Steering Committee.

One of the fundamental aspects of the ESG agenda is Phase 2 of HRC's Energy Masterplan. The masterplan is one of the initiatives to reduce carbon emissions, waste products and to better manage its overall environmental footprint.

The intention is to undertake planned maintenance to prevent and reduce the possibility of breakdowns and operational disruption going forward. This will support the refinery's ability to achieve and maintain optimal production capability. Earmarked BIPs shall be pursued in 2025 to drive asset and process optimisation and ultimately bolster operational resilience while supporting higher revenues. The planned pitstop was successfully completed by mid January 2025. With this, there has been a smooth restart of operations and production activities are on par with Management's targets and expectations.

Among improvement activities identified for 2025 include several scheduled maintenance and refurbishment programmes and upgrading works. These are intended to boost the intake capacity and output capability of the refining plant.

The earlier mentioned departmental scorecard will continue to be pivotal in driving strategic ownership of costs at the unit level, and importantly, continued efforts to drive cost efficiency and savings across HRC's operations and the company.

HRC continues to retain its competitive advantages including excellent relationships with bankers and financiers as well as customers and suppliers to remain one of the leading and reliable refining facilities in Malaysia.

HRC retains the ability to discharge all liabilities and meet working capital requirements and also retain our ability to seek borrowings or tap the capital markets should the need arise.

Further information on HRC's forward looking strategies are provided in the Strategic Priorities section.

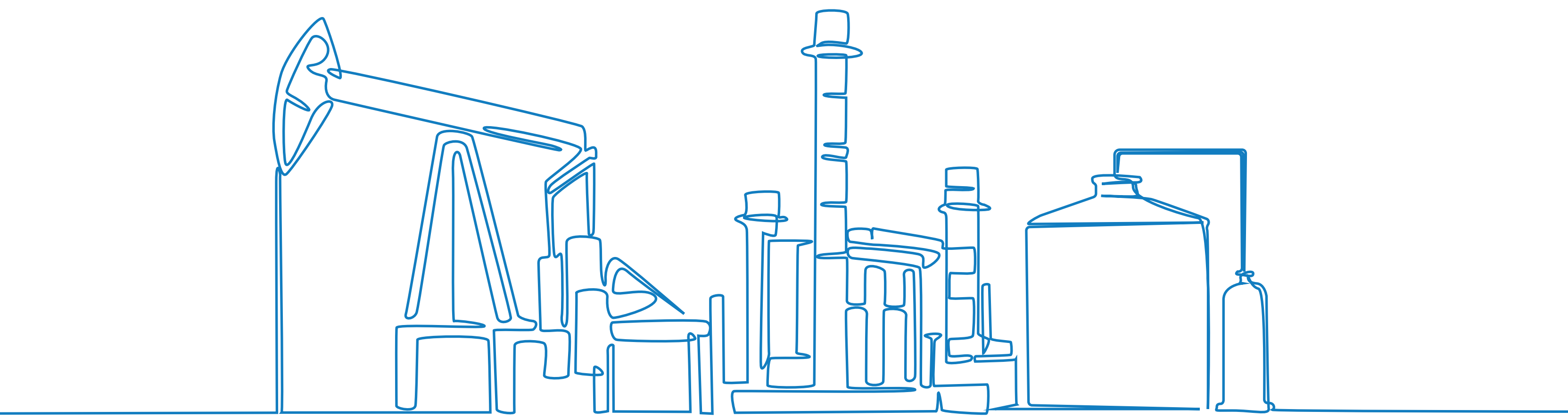
Market Overview:
Challenges and Opportunities

In 2024, global macroeconomics had a significant influence on HRC's financial and non-financial performance. Following is a review of significant trends and developments that had direct and indirect impacts on performance. While these developments are largely existential and hence beyond the control of any particular single entity, HRC has responded proactively and effectively within the Company's capacity to mitigate risks and impacts and to leverage on existing and emerging opportunities.

EXTERNAL FACTORS (TRENDS & MARKET DEVELOPMENTS)	HOW IT IMPACTED THE COMPANY'S BUSINESS MODEL	MATERIAL TOPICS	RELATED CAPITALS	HRC'S RESPONSE
Continued fluctuations in the price of crude oil throughout 2024, between USD70 to USD90 per barrel (Brent). In 2024, there was a significant movement of margin for cracked products throughout the year.	HRC experienced crude inventory loss as well as narrowing of margins for cracked products. A lower ceiling price for refined products, against rising crude oil prices essentially has an erosive effect on earnings margins in 2024.	M1 M5		Implementation of improved hedging positions minimised inventory loss exposure, particularly in the second half of 2024. Importantly, new hedging strategies implemented are more conducive to external operating conditions going forward into 2025. In addition, HRC continued to focus on internal controls namely, cost optimisation and operational efficiency measures to sustain/support earnings margins. In addition, business development activities such as new customer acquisition were accelerated in 2024. Kindly refer to the MD&A for specific details.
The Malaysian government's removal of subsidies for diesel (gasoil) and petrol resulted in higher pump prices in 2024. Gasoil subsidies were removed on 1 June 2024. In addition, the government is expected to replace the present blanket subsidy with a targeted subsidy programme restricted to B40 consumer segments in the second half of 2025.	Higher pump prices would lead to higher ownership costs for internal combustion engine ("ICE") vehicles. This may lead to reduced demand for such cars and thus reduced demand for cracked products.	M1 M2 M3		Swift adjustment to optimise production parameters to match market demand. Increased focus on optimising other products such as aviation fuels and capitalise on the recent oversupply of blending components such as MTBE. Expansion of customer base towards reducing dependence on a single major customer.

Market Overview:
Challenges and Opportunities

EXTERNAL FACTORS (TRENDS & MARKET DEVELOPMENTS)	HOW IT IMPACTED THE COMPANY'S BUSINESS MODEL	MATERIAL TOPICS	RELATED CAPITALS	HRC'S RESPONSE
Electricity costs are expected to rise in 2025 with a revision in tariffs.	Refining operations are energy extensive, with electricity required to power a wide range of operational processes. Hence, an upward revision in electricity tariffs may lead to increased production costs.	M1 M7 M8		Continued focus on reviewing major operational for energy saving opportunities. Undertaking energy audits and exploring energy recovery methodologies. Continued feasibility studies on solar panel implementation. Several energy saving projects were implemented in 2024. A notable initiative was to optimise the maximum demand declaration to TNB that could result in some savings in the electricity bill amounting to about RM100,000 per year.
Regulatory imposition for more stringent specification to Euro 5 Mogas (E5M) from Euro 4 Mogas (E4M).	The more stringent standards impact up to some extend the refinery margins in meeting the new standards.	M1 M2 M4		In 2024, HRC made additional investments in unit upgrades and the Company is successfully on track to meet the new standards. Kindly refer to the MD&A for specific details.



Leveraging Business Resilience and Adaptive Responses to Manage External Volatilities

In responding effectively to external trends and developments, HRC has continued to leverage its inherent business strengths to mitigate risks and capture emerging opportunities. The Company's retained assets, competitive advantages, accumulated expertise, and long-standing stakeholder relationships have supported the proactive implementation of financial, business, and operational (FBO) strategies.

KEY STRENGTHS

Our Heritage

Since 1960, the refinery has served as a cornerstone of Malaysia's downstream oil and gas industry. As the nation's first integrated refining complex with Long Residue Catalytic Cracking (LRCC) capabilities, the facility has progressively advanced its refining processes and product range to meet evolving demand and regulatory requirements.

Following the transition in major shareholder in 2016, HRC has remained a key contributor to the nation's refined product output. The Company's performance in operational reliability, profitability, innovation, occupational health and safety, and environmental stewardship continues to be recognised by a wide range of stakeholders. Our long-standing track record of safe, efficient operations underpins trust with customers, regulators, financial partners, and the communities we serve.

Beyond core business outcomes, HRC's heritage is rooted in a strong stakeholder engagement culture. This includes enduring relationships with regulatory authorities, government bodies, vendors, community representatives, and local councils. These relationships support our license to operate and strengthen our ESG credibility in the eyes of external stakeholders.

HOW IT'S LEVERAGED TO CREATE VALUE

HRC's established track record and reputation are actively leveraged to support stakeholder engagement with regulators, community groups, and industry partners. They also build trust and reinforce credibility in interactions with investors, financial institutions, and governance stakeholders. Internally, the goodwill and confidence built over decades provide a strong foundation for implementing strategic changes and operational improvements. These factors enhance HRC's organisational resilience in addressing macroeconomic challenges, reputational risk, and evolving regulatory expectations.

Kindly refer to the MD&A for specific details and the Risks and Opportunities to Value Creation section.

KEY STRENGTHS

Our Anchor

HRC benefits from the strategic guidance and support of its parent company, Shandong Hengyuan Petrochemical Company Limited (SHPC), a state-owned enterprise based in Shandong Province, China. This partnership provides access to regional supply networks, technological innovations, and procurement strategies that support cost efficiency and operational flexibility.

Through SHPC, HRC has expanded its supplier base and strengthened its supply chain security that contribute to greater process efficiency and innovation.

HOW IT'S LEVERAGED TO CREATE VALUE

The strategic support from SHPC enables HRC to access broader and more competitive sourcing options, improve procurement effectiveness, and integrate advanced technologies into its operations. These collaborations have reinforced HRC's ability to respond to market volatility, elevate operational performance, and pursue long-term competitiveness. The backing of a capable and well-resourced parent company reinforces our stability and provides strategic optionality in advancing future growth and sustainability goals.

Leveraging Business Resilience and Adaptive Responses to Manage External Volatilities

KEY STRENGTHS

Our People

One of HRC's greatest strengths is its workforce that continues to be at the forefront of ensuring optimum operational capability and playing a fundamental role in ensuring the longevity of HRC and also in enhancing the company's ability to swiftly adapt to market requirements.

HOW IT'S LEVERAGED TO CREATE VALUE

In 2024, the professionalism of our people, their know-how, technical expertise and morale has been pivotal in successfully undertaking several major upgrades and asset enhancement works.

Kindly refer to the MD&A for specific details and the Risks and Opportunities to Value Creation section.

Going forward, people coupled with technology will be instrumental in the delivery of business improvement tactics yielding additional margin upliftment.

KEY STRENGTHS

Our Commitment

HRC remains steadfast in its role as a responsible refining company, ensuring the safety and security of its operations while prioritising the well-being of all stakeholders, particularly employees and neighbouring communities. The Company upholds a high level of environmental and social compliance, in line with national regulations and international sustainability expectations. This commitment also extends to ensuring the uninterrupted supply of high-quality refined products, reinforcing HRC's contribution to national energy security and supporting market continuity even amid external volatilities.

HOW IT'S LEVERAGED TO CREATE VALUE

HRC's commitment to excellence drives strong performance across occupational safety, environmental compliance, and stakeholder trust. It has contributed to the achievement of key performance indicators (KPIs), including process safety, product reliability, and community investment targets. This commitment also underpins the successful execution of operational strategies and continuous improvement programmes that support long-term value creation.

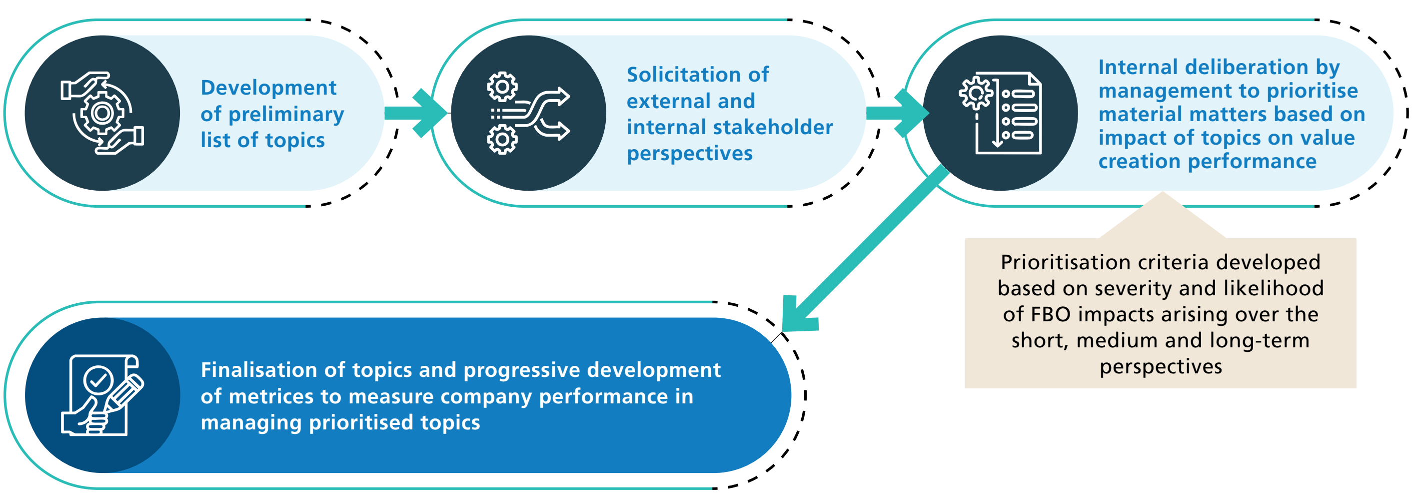
Risks and Opportunities to Value Creation

As part of its integrated reporting disclosures, HRC has established the potential financial risks and opportunities arising from the Company's prioritised materiality topics. The prioritisation has been developed based on considerations of how a material topic could have significant impacts on the Company's financial, business and operational performance over the short, medium and long-term horizons. In essence, the extent of impact, actual or potential on the ability to create and sustain value.

We continue to leverage opportunities, while mitigating risks. Where possible, HRC has attempted to quantify said impacts and has developed effective mitigation measures to all material risks towards reducing the possibility and exposure to said risks. Similarly, HRC has also implemented leveraging strategies to capitalise on opportunities.

Several of the identified risks and opportunities arising from these ESG material topics have been incorporated into the Company wide Risk Register, thus integrating ESG related risks into the mainstream business and operational risk management perspective and framework. HRC will continue to progressively expand its management approach towards refining its methodologies and approaches to further integrate ESG risks into the overall risk management framework and developing stronger oversight and perspectives of potential and actual impacts.

DETERMINATION OF FINANCIALLY MATERIAL ESG TOPICS



Risks and Opportunities to Value Creation

PROCESS OF DETERMINING RISKS

RISK MANAGEMENT

Risk Identification

- Risk topics identified through risk workshops, stakeholder discussions, incident reviews, inputs from Board committees and benchmarking industry peers.
- Data sources: operational data, regulatory updates, market trends, and external events, industry players' annual reports, etc.

Risk Assessment

- Likelihood Assessment: Based on historical frequency, predictive modelling, and views of internal risks owners and management.
- Severity Assessment: Assessed based on potential/actual extent of financial, operational, HSSE, and reputational impacts.

Risk matrix development

- Risks are plotted on a severity and likelihood matrix to enable ascertainment of risks. Critical risks are escalated to management for immediate action.

Risk Mitigation

- Detailed mitigation measures are developed for high and critical risks, focusing on elimination, reduction, or transfer of risk.

Constant Review

- Risks are monitored continuously, with periodic reviews to ensure relevance and effectiveness of controls.
- Changes in external or internal factors are incorporated into updated risk evaluations.

Risks and Opportunities to Value Creation

LEGEND:

NATURE OF RISK:

Acute   Chronic

TIMEFRAME:

Short (0-2 years)   Medium (2-5 years)   Long-Term (5-10 years)

LIKELIHOOD:

Low   Medium   High

SEVERITY:

Minimal   Moderate   Significant   Catastrophic

RISK TYPES AND DEFINITIONS

RISK TYPE	DESCRIPTION
Financial	Any risk event or impact that may have a erosive effect on financial performance. This includes risks related to, or arising from credit, liquidity, forex and market risks.
Business/ Operational	Risk event or impact that could affect business or the ability to operate at optimum capacity.
QHSSE	Risks arising from incidents of non HSE compliance such as injuries, fatalities and loss time incidents.
Asset Integrity Risks	The oil refining sector is subject to various inherent risks, including those tied to asset integrity, process safety, and personnel safety.

RISK TYPE	DESCRIPTION
Project Risks	Every HRC project is strategically planned with measures to reduce technical, construction, and operational interruption risks, incorporating assessments for post-implementation risks as well.
Margin and Commercial Risks	As an independent refinery, HRC is exposed to risks, events or developments that could erode earnings margins, particularly the margins of cracked products.
Climate Change & Other Environmental Risks	Physical and transition risks impacts could have direct or indirect impacts on the ability to operate and to implement the business model and consequently, value creation.

MATERIAL TOPICS

M1 ECONOMIC PERFORMANCE

RISK	OPPORTUNITY	TYPE OF RISK	NATURE OF RISKS AND TIME FRAME
HRC's financial performance is significantly impacted by macro-economics factors. This includes global market prices for crude oil and the margins for refined products, Both of which are dependent on geopolitical trends, governmental and trade policies and external events that are beyond the control of company. Hence, economic performance remains closely influenced by market forces.	While market forces are uncontrollable, the constant flux does fuel new business opportunities such as further venturing into sustainable aviation fuel (SAF) and also the development of higher quality products such as Euro 5 Mogas (E5M) in response to regulatory changes. The need to remain flexible to market dynamics also has led to the development of improved hedging positions and provided the impetus for the continued implementation of Business Improvement Plans ("BIPs") to expand intake capacity, reduce oil loss and wastages, increase yield from recycling and to derive improved cost and production efficiency.	• **Margin and Commercial Risks** • **Financial** • **Operational**	TIMEFRAME: LIKELIHOOD: SEVERITY: Minimal to Moderate depending on the nature of the external development and trend.

STRATEGIC RESPONSE/MITIGATION MEASURES

Kindly refer to the MD&A section

Risks and Opportunities to Value Creation

MATERIAL TOPICS

M2 PRODUCT QUALITY

RISK

Changes/increase in stringent product specifications such as the requirement to upgrade to E5M specifications can lead to short-term challenges in meeting product quality. In addition, efforts to meet higher product specifications can lead to increased product giveaway as produced output surpasses the minimum threshold for release.

OPPORTUNITY

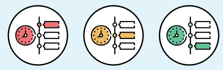
While regulatory changes on product quality may pose risks, the ability to swiftly adapt and meet new requirements would further strengthen market and regulators' confidence in HRC. This would strengthen brand reputation and attract new customers while also providing first mover market advantage in the short-term.

TYPE OF RISK

- **Margin and Commercial Risks**
- **Business/ Operational**
- **Financial**

NATURE OF RISKS AND TIME FRAME

TIMEFRAME:



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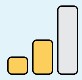


SEVERITY:

STRATEGIC RESPONSE/MITIGATION MEASURES

- Capacity enhancement in Platforming unit to generate more hydrogen for gasoil optimisation.
- Reducing product quality giveaway via installing automation system at the E4M and hydro processing unit production facility.

MATERIAL TOPICS

M3 CUSTOMER MANAGEMENT

RISK

While HRC has long-term customer agreements in place, efforts continue towards expanding the client base to avoid over-dependence on a single or smaller pool of customers over the medium to long-term.

OPPORTUNITY

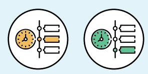
HRC can leverage its Product Offtake Agreement (POA). The POA serves as a validation of HRC's ability to produce high-quality products on a consistent basis and thus can be leveraged as part of the customer acquisition and market expansion strategy.

TYPE OF RISK

- **Financial**
- **Business/ Operational**

NATURE OF RISKS AND TIME FRAME

TIMEFRAME:



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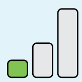

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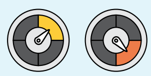


STRATEGIC RESPONSE/MITIGATION MEASURES

To enhance business resilience and long-term value creation, HRC is actively implementing strategies to optimise its commercial portfolio and diversify its customer base.

Key strategic initiatives include market diversification & new customer acquisition; exploring opportunities in emerging markets where demand for refined products is growing; enhancing product offerings, including specialty fuels and value-added refined products, to attract a broader customer base; and conducting continuous stress testing on revenue streams to assess potential impacts of over-reliance on a single customer.

Risks and Opportunities to Value Creation

MATERIAL TOPICS

M4 RELIABLE OPERATIONS AND PRODUCTION

RISK

HRC's refining facility is one of Malaysia's oldest, operating since the 1960s. Hence, the need for constant refurbishments, repairs and upgrades is high with operational maintenance being a significant area of focus, requiring constant intervention to achieve operational uptime and production.

OPPORTUNITY

Focussing on operational reliability enables upgrades and improvements that will improve productive capability and also ensure overall operations remains relevant in tandem with evolving external market requirements.

The continuous adoption of Internet of Things, Artificial Intelligence (AI) and more supports the long-term competitive ability of the refining facility.

TYPE OF RISK

- **Project Risks**
- **Asset Integrity Risks**
- **Financial**
- **HSE**
- **Climate Change & Other Environmental Risks**

NATURE OF RISKS AND TIME FRAME

TIMEFRAME:

LIKELIHOOD:

SEVERITY:

STRATEGIC RESPONSE/MITIGATION MEASURES

Various strategic efforts were undertaken in 2024, including several Business Improvement Plans ("BIPs") towards increasing intake and output capacity, reducing wastages and improving asset productivity.

MATERIAL TOPICS

M5 SUPPLY CHAIN MANAGEMENT

WHY IS IT IMPORTANT

HRC's operations are dependent upon local and international supply chains for raw materials, assets, machinery and equipment.

Disruptions to supply chains caused by geopolitical factors such as trade wars, impacts on shipping lanes and climate change can impact the availability, pricing and quality of supplies required for operations.

OPPORTUNITY

Through new procurement and supplier management strategies, HRC is able to benefit from expanded access to domestic and international suppliers. In addition, it is leveraging parent company, SHPC's networks to also source for more cost competitive and ESG compliant procurement.

This approach reduces risk of disruption due to over reliance on a single or smaller supplier base. There are also opportunities to drive ESG compliance across the supply chain through supplier audits.

TYPE OF RISK

- **Financial**
- **Business/ Operational**
- **HSE**

NATURE OF RISKS AND TIME FRAME

NATURE OF RISK:

The risk is both acute and chronic as suppler non-compliance can be a one-off incident or a consistent challenge.

TIMEFRAME:

LIKELIHOOD:

SEVERITY:

STRATEGIC RESPONSE/MITIGATION MEASURES

To mitigate risks associated with supply chain disruptions, we adopt a multi-pronged strategy that optimises procurement processes and ensures operational continuity. Key strategic considerations include diversification of suppliers & sourcing strategies; establish alternative supply routes and build relationships with regional suppliers to enhance flexibility; risk management & contingency planning; foster closer collaboration with key suppliers to enhance transparency and responsiveness to potential disruptions; and inject Sustainability & ESG considerations by assessing suppliers based on their adherence to sustainability standards.

Risks and Opportunities to Value Creation

MATERIAL TOPICS

M6 ETHICS AND INTEGRITY

WHY IS IT IMPORTANT

Ensuring good governance is essential to safeguard against risks of corruption, unethical behaviour and conduct, all of which can lead to regulatory non-compliance, fines and other punitive measures.

OPPORTUNITY

Guarding against unethical practices and establishing high levels of corporate integrity protects against inefficiencies, poor quality, incompetence and protects both the organisation and the value chain from below par FBO performance.

TYPE OF RISK

- **HSE**
- **Business/ Operational**
- **Climate Change & Other Environmental Risks**

NATURE OF RISKS AND TIME FRAME

TIMEFRAME:

LIKELIHOOD:

SEVERITY:

Low to significant depending on nature of incident.

STRATEGIC RESPONSE/MITIGATION MEASURES

- HRC has obtained ISO 37001 certification, demonstrating its commitment to anti-bribery and corruption (ABC) compliance.
- All employees and business partners must comply with the HRC Code of Conduct and Ethics.
- HRC has implemented supplier and contractor screening processes to assess ethical and compliance risks before onboarding.

MATERIAL TOPICS

M7 CLIMATE CHANGE AND GREENHOUSE GAS EMISSIONS

WHY IS IT IMPORTANT

Physical and transition climate risks can potentially have varying effects on FBO performance. These include sea level rise ("SLR"), flash floods, rising temperatures, lightning strikes, exposure to carbon taxes, new regulatory requirements and reduced access to financing as financiers reduce their exposure to hydrocarbon-based businesses.

OPPORTUNITY

Opportunities include venturing into flare gas recovery, Carbon Capture Utilisation and Storage (CCUS) and explore possibility of adopting renewable energy (RE) to meet the intermittent shortage of energy and power requirement while reducing the dependence on grid sourced power.

Long-term possibilities include to produce green energy/fuel to neutralise carbon emission.

TYPE OF RISK

- **Climate Change & Other Environmental Risks**
- **Margin and Commercial Risks**
- **Asset Integrity Risks**
- **HSE**
- **Business/ Operational**
- **Financial**

NATURE OF RISKS AND TIME FRAME

TIMEFRAME:

LIKELIHOOD:

SEVERITY:

Minimal to significant depending on nature of risk and type.

STRATEGIC RESPONSE/MITIGATION MEASURES

- To be undertaken: Development of climate risk profile from a comprehensive climate risk assessment exercise.
- Establishment of a progressive decarbonisation strategy that would enable ongoing efforts to either reduce absolute emissions production or reduction in emissions intensity.
- Expansion of Scope 3 emissions to include more types/aspects by adopting the spend based or analysis methods.

Risks and Opportunities to Value Creation

MATERIAL TOPICS

M8 ENERGY MANAGEMENT

WHY IS IT IMPORTANT

Rising energy tariffs and removal of subsidies progressively lead to rising energy costs, notably in the medium to long-term. The continued usage of older Asset Machinery and Equipment (AME) further contributes to a high energy profile and subsequently, higher energy costs.

OPPORTUNITY

In addressing the exposure to energy costs, HRC's opportunities include leveraging waste gas/steam to generate energy, enhancing the energy utilisation efficiency, implementation of automation as well as progressively undertake an AME refreshments exercise to phase out less energy efficient older equipment.

TYPE OF RISK

- **Climate Change & Other Environmental Risks**
- **Financial**
- **Business/ Operational**
- **Project Risks**

NATURE OF RISKS AND TIME FRAME

TIMEFRAME:

LIKELIHOOD:

SEVERITY:

STRATEGIC RESPONSE/MITIGATION MEASURES

- Diversification of cheaper fuel to reduce fuel cost via installation of facility for natural gas import as fuel.
- Implementation of energy saving tactics in Euro 4 mogas plant via automation.

MATERIAL TOPICS

M9 WATER & EFFLUENT MANAGEMENT

WHY IS IT IMPORTANT

While sufficient reserve water supply is available onsite, any prolonged disruption in water supply due to water cuts imposed by the state utility provider may have impacts on the long-term, particularly during hotter weather.

Given that temperatures are expected to get hotter due to climate change, it is possible that water cuts may become more frequent and pronounced going forward.

Pertaining to effluent, while every care continues to be taken to ensure discharge complies with regulatory requirements, any unexpected overflow or non-compliant discharge, especially during rainy seasons can lead to fines, censures and negative impact to brand reputation.

OPPORTUNITY

The use of inhouse water tanks to boost existing storage capability and investments in rainwater harvesting are opportunities to reduce reliance on state utility sourced water, thus improving resilience and thus minimising operational impacts. HRC is also considering an additional water supply line.

Upgrading of the onsite Effluent Treatment Plant ("ETP") will not only ensure regulatory compliant discharge, but potentially enable increased use of greywater, which will also reduce dependence on externally sourced water.

TYPE OF RISK

- **HSE**
- **Business/ Operational**

NATURE OF RISKS AND TIME FRAME

TIMEFRAME:

LIKELIHOOD:

SEVERITY:

STRATEGIC RESPONSE/MITIGATION MEASURES

- Increasing the water storage capacity on site to tackle the emergencies in water supply to sustain the refinery operation.

Risks and Opportunities to Value Creation

MATERIAL TOPICS

M10 WASTE MANAGEMENT

WHY IS IT IMPORTANT

Significant quantities of waste are produced during shutdown periods which includes both scheduled and non-scheduled wastes.

Effective management of such waste is paramount to avoiding environmental pollution including land and marine pollution, avoidance of fines and operational shutdowns which would impact production, sales and revenues.

OPPORTUNITY

Continued focus on waste has enabled opportunities to reduced waste production across the business process. This includes exploring a 3R strategy, notably recycling to repurpose waste products i.e. reproduction of spent lube oil, reuse of spent catalyst.

TYPE OF RISK

- **Business/ Operational**
- **HSE**

NATURE OF RISKS AND TIME FRAME

TIMEFRAME:

LIKELIHOOD:

SEVERITY:

STRATEGIC RESPONSE/MITIGATION MEASURES

- Savings of around 24,000m³ per year10ppm Gasoil achieved from downgrading during flushing activities.
- Exploring new methods to rejuvenate and reuse spent catalyst.
- Implementation of recycling of spent lubricant oil within refinery to save on disposal charges and reduce emissions.

MATERIAL TOPICS

M11 EMPLOYEE VALUE PROPOSITION

WHY IS IT IMPORTANT

Employee attrition, especially loss of experienced talents can cause a brain drain effect while the location of operations, comparatively further from the capital of Kuala Lumpur, can pose challenges in talent recruitment.

Costs of hiring and retaining talent also continues to increase. Beyond inflationary pressures, a relatively, limited talent pool and geographical considerations continues to have an upward impact on talent recruitment and retention costs.

OPPORTUNITY

The challenges in faced recruiting from the external market has led to a stronger focus on developing internal talent pipelines and recruiting from local communities.

With regard to improving employee retention, beyond commercial compensation, the strategy increasingly incorporates other aspects such as employee morale and satisfaction, training and development opportunities, on-the-job mentoring and more.

Other strategies include collaborating with local universities/polytechnics and utilising graduate pathway programme to accelerate development of talent for strategic positions.

TYPE OF RISK

- **Financial**
- **Business/ Operational**
- **Asset Integrity Risks**
- **Project Risks**

NATURE OF RISKS AND TIME FRAME

NATURE OF RISK:

Chronic given that talent acquisition and retention is a perennial challenge in Malaysia due to a small talent pool and constant brain drain of existing talents to other industries or countries.

TIMEFRAME:

LIKELIHOOD:

SEVERITY:

Minimal to significant depending on the type of talent and specific employment positions, severity ranges from minimal to significant.

STRATEGIC RESPONSE/MITIGATION MEASURES

Continued focus on talent management and development as a fundamental value creation strategy towards retaining staff as well as retaining company knowledge and information.

Hence, there remains a strong and increasing emphasis on provision of professional development opportunities, industry salary benchmarking, close attention to employee wellbeing and satisfaction and constant two-way engagement/communication between employees and Management.

Risks and Opportunities to Value Creation

MATERIAL TOPICS

M12 DIVERSITY AND EQUAL OPPORTUNITIES

WHY IS IT IMPORTANT	OPPORTUNITY	TYPE OF RISK	NATURE OF RISKS AND TIME FRAME
Since the acquisition of HRC by SHPC, there has been constant efforts to ensure a strong and cohesive working culture organisation wide. This remains a priority towards averting typical challenges faced within a multi-national and multi-ethnic workforce comprising talents from various countries.	The fostering of a diverse workforce enables the development of new approaches and ideas to problem solving, including sharing of best practices and industry knowledge. It promotes innovation and can also lead to the development of intellectual capital.	• **Financial** • **Business/ Operational** • **Asset Integrity Risks** • **Project Risks**	TIMEFRAME: LIKELIHOOD: SEVERITY:

STRATEGIC RESPONSE/MITIGATION MEASURES

HRC remains committed to fostering a strong, cohesive, and inclusive workplace culture. The Company prioritises initiatives that promote collaboration, mutual respect, and a shared sense of purpose among employees from diverse backgrounds.

MATERIAL TOPICS

M13 HEALTH AND SAFETY

WHY IS IT IMPORTANT	OPPORTUNITY	TYPE OF RISK	NATURE OF RISKS AND TIME FRAME
While HRC has established an exemplary track record for occupational safety and health (OSH) performance, the nature of crude oil refining operations indicates a continuance of residual risks to employees, local communities and the operational site.	Focussing on OSH not only ensures safe and secure operations, but also typically leads to improvements in operational and cost efficiency. A safe working environment instils stakeholder confidence, particularly among employees. This has a positive effect on employee productivity, the ability to recruit talents, particularly from local communities and a continued license to operate from regulatory authorities.	• **HSE** • **Asset Integrity Risks** • **Project Risks**	NATURE OF RISK: Acute as OSH incidents can happen across any timeframe. TIMEFRAME: LIKELIHOOD: SEVERITY: Minimal to significant depending on type of incident, location, timing and affected stakeholders

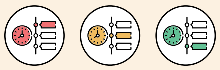
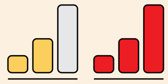
STRATEGIC RESPONSE/MITIGATION MEASURES

- HRC remains committed to prioritising OSH across all aspects of our operations. While our strong track record demonstrates the effectiveness of our safety management systems, we acknowledge the inherent risks associated with crude oil refining.
- To mitigate residual risks, HRC continuously strengthens our safety culture through proactive risk management, robust emergency preparedness; and continued engagement with our key stakeholders.

Risks and Opportunities to Value Creation

MATERIAL TOPICS

M14 LOCAL COMMUNITY

WHY IS IT IMPORTANT	OPPORTUNITY	TYPE OF RISK	NATURE OF RISKS AND TIME FRAME
Proximity to residential areas means that perceptions of HRC's refining operations, particularly among fence-line communities, can significantly influence trust and public sentiment. Misunderstandings related to emissions, flaring, or noise may lead to reputational damage and affect the Company's credibility with regulators and other stakeholders. Maintaining trust is essential for HRC's operations.	Strengthening community relations provides the opportunity to build long-term goodwill, reinforce HRC's role as a responsible neighbour, and strengthen positive sentiment around our operations. Active engagement also enables community members to serve as informed advocates for the Company, supporting operational continuity and long-term acceptance of our presence.	• **HSE** • **Climate Change & Other Environmental Risks** • **Business/ Operational**	TIMEFRAME:  LIKELIHOOD:  SEVERITY:  Low to significant depending on nature of incident.

STRATEGIC RESPONSE/MITIGATION MEASURES

- HRC adopts a structured and inclusive approach to community engagement, with particular attention to concerns raised by fence-line communities. This includes regular engagement with communication, direct outreach activities, and a formalised feedback mechanism supported by issue escalation protocols.
- Communication materials are designed to be clear and the Company actively monitors public sentiment across social and digital media. These measures help ensure HRC remains an integrated, accepted presence within the local community, while maintaining credibility with regulatory stakeholders.

Our Strategic Priorities

Strategic priorities have been identified towards enabling HRC to maintain a continued trajectory of growth and progress in tandem with an evolving operating environment, where market shifts, regulatory changes and other macro-PESTLE factors function as disruptive but also facilitating forces. Hence, the strategic priorities are designed to enable effective mitigation of risks while leveraging emerging opportunities which would enable new engines of growth.

HRC has established its future orientation taking into account present socio-economic realities for the oil and gas industry as well as several industry scenarios which stretch from business as usual to extreme intervention towards realising the global ambition of ensuring global warming levels do not exceed the 1.50°C threshold.

Additional considerations such as tightening of government regulations, evolving consumer preferences geopolitical factors and macroeconomic variables such as a higher interest rate regime and new technologies have also been considered as part of the business and operational scenario plans developed towards fathoming an uncertain and rapidly shifting future.

Moving forward, HRC is dedicated to consistently creating and enhancing stakeholder value through the following earmarked strategies based on the factors assessed below:

	SHORT-TERM (0-2 Years)	MID-TERM (2-5 years)	LONG-TERM (5-10 Years)
Geopolitical factors	Continued reliance on oil and gas to drive near-term economic growth, notably in major economies. Change in US policies also lend support to increased oil and gas consumption and consequently, increased demand for cracked products.	Expected recoveries and improved global geopolitical conditions augur well for supply demand dynamics. Demand and supply dynamics for crude oil and cracked products to stabilise with the possibility of moderation in prices.	Hydrocarbons to remain a significant component of the energy mix, though RE's share of the mix is expected to increase.
Evolving governmental policies	Continued ramping up of government policies that will likely lead to higher energy costs such as further removal of subsidies, upward tariff revisions for industrial electricity consumers and increased incentives for renewable energy use.	Continued changes in the financial systems to discourage lending to hydrocarbon-based businesses.	Imposition of carbon taxes on manufacturers.
Ongoing global movement for decarbonisation	Incremental push/progress towards pursuing decarbonisation and emissions reduction. However, present trends and developments post the 2024 US presidential elections allude to increased oil production and increased consumer demand for cracked products in the short-term.	To maintain status quo, with ramping up expected around the 2030 mark as decarbonisation efforts are given increased focus.	Increased requirements for CCUS and expedited transition to hydrogen, nuclear and other energy sources. However, oil and gas to remain well relevant especially for the production of petrochemicals and various other niched refined products beyond automotive fuels.
New Technologies	Technologies that drive reduced carbon footprint and energy consumption to continue entering the market, rendering new possibilities.	Technologies to become more market accessible and affordable for business to acquire and utilise. This included new adaptations and acquisition which would enabled business diversification towards enabling a more strategic response to meet dynamic market trends and shifts. This would support and sustain profit margins.	Technology to become more pervasive and would drive increased automation and reduced dependence on human capital.

Our Strategic Priorities

SHORT-TERM CONSIDERATIONS (0-2 Years)

STRATEGIES/FOCUS AREAS	IN RESPONSE TO (RATIONALE)	CHANGES REQUIRED/INITIATIVES PLANNED	RELATED CAPITALS
Sustained Operational Excellence and Reliability	The various technical and operational challenges encountered in 2024 clearly indicate that as the refining facility continues to age, the potential for further intervention such as unplanned downtime (UPDT) can occur unless continued vigilance through timely preventive programmes such as business improvement plans ('BIPs") are undertaken.	• Undertaking of several notable BIPs to reduce cost and onsite leakages. Refer to page 51 for list and descriptions of the various BIP tactics. • Undertaking of "Major Turnaround" (MTA) activity every 5 years as well as preventive maintenance and timely intervention activities to reduce potential for UPDT incidents.	
Margin Upliftment and Revenue Generation	Given that post the COVID-19 global health crisis has seen a pattern of narrowing margins, HRC will look to pare down its costs towards sustaining healthier spreads, while also looking to increasing exposure to cracked products with higher margins such as sustainable aviation fuels.	• Actively managing and maintain agreements for crude oil purchases and sales of cracked products. • Increase inland sales by strengthening relationships with existing clients, onboarding new customers and expanding distribution networks. • Increasing intake capacity and output volume. • Repurposing waste products such as lubricate oil to develop commercially viable products. • Reducing leaks and wastages across the operational process • Increasing energy efficiency notably through reduced idle time and upping site efficiency. • Reducing product quality giveaway • Reducing oil loss through heightened monitoring and control.	
Optimising Product Cost Structure	More than RM45 million in savings was achieved through improved procurement strategies. Supply chain management remains a strategic priority for yielding further efficiencies.	• Further expansion of the supplier base. While supporting local suppliers will remain a priority, overall value proposition based on quality and costs of goods and services will be increasingly emphasised. This includes diversifying crude supply sources to optimise profit margins. • Leveraging parent company's network to source and secure suppliers and to leverage established relationship to secure more competitive pricing. • Use of tenders towards enabling more competitive sourcing. • Establishment of more stringent requirements to qualify as an approved vendor. • Expanding the supplier base beyond local vendors where commercially feasible.	

Our Strategic Priorities

STRATEGIES/FOCUS AREAS	IN RESPONSE TO (RATIONALE)	CHANGES REQUIRED/INITIATIVES PLANNED	RELATED CAPITALS
Demurrage savings	By reducing the time to load and unload vessels, demurrage costs can be further reduced and thus contribute to margin upliftment. Hence, in this regard, intake capacity must be constantly improved while vessel management to be emphasised.	• Formation of Measurement department to review the crude cargo discharge and product loading process. This helps identify gaps/bottleneck for further enhancement to mitigate against demurrage exposure.	
Enterprise Resource Planning (ERP) system expansion	HRC's ERP integrated system will empower more informed decision making, notably by providing cross functional visibility on strategic matters. This would support speedy response to market, improved procurement decisions and improved product mix and ultimately drive optimum FBO performance.	• Streamline departmental workflows to reinforce process integration and maximise the effective use of the ERP system, supporting seamless and efficient operations.	
Company benchmarking	A challenge presently faced is a lack of comparison to industry peers. Hence, the undertaking of more strategic industry benchmarking in terms of operational aspects, notably would allow a more accurate peer comparison to emerge and thus provide strategic direction for business improvements.	• Setup a taskforce with multiple and cross-disciplines resources to explore which benchmarking to participate.	

One focus area is in reducing internal chemical consumption and associated costs. This includes establishing enhanced processes and controls for improved efficiency in usage. Through our Business Improvement Plans (BIPs) tactics for year 2025, the plan tactics are categorised into energy efficiency, production yield improvement, operational efficiency (enhances crude handling to reduce demurrage), lowering crude oil cost and catalyst cost reduction.

Our Strategic Priorities

MID-TERM CONSIDERATIONS (2-5 Years)

STRATEGIES/FOCUS AREAS	IN RESPONSE TO (RATIONALE)	CHANGES REQUIRED/INITIATIVES PLANNED	RELATED CAPITALS
Implementation of automation and digitalisation	Technological acquisition can be financially intensive, but if undertaken on a progressive basis can yield significant results in improving overall productivity and thus enabling margin upliftment. However, this is a mid-term focus area as the near-term focus on trimming costs can detract from technological acquisition (which can be financially intensive).	• Continued assessment of readiness to adopt technology including cost benefit analysis and expected ROI over various timeframes.	
Workforce Optimisation	While talent development has and continues to be undertaken as a near-term priority, the mid-term focus is on reskilling employees towards working productively in an increasingly technology enabled business model. This includes not just reskilling but also redefining workforce requirements with a higher mix of technology professionals.	• In addition to managerial competencies, staff training to progressively see greater focus on technological knowledge and technical training will be increased. • Employees to be increasingly shaped from being proficient in operational jobs to now working with digital tools and to be more equipped with technological competences. • Through this programme, HRC is committed to create a workplace environment where every employee feels valued, empowered, and prepared to contribute to our shared success.	
Refined product mix in tandem with evolving demand patterns	As market preferences and requirements shift, the demand for cracked or refined products is expected to change. Hence, it is imperative that HRC readies itself to not just shift but develop the strategic flexibility to swiftly adjust its production capabilities to capitalise on market forces.	• To enhance strategic flexibility through market intelligence, and product diversification. • Investments in refining infrastructure and process - optimisation enable efficient transitions between outputs, while the exploration of low-carbon alternatives aligns with future energy demands. • Strengthening supply chain resilience and optimising commercial strategies ensure adaptability to market fluctuations. • These efforts position HRC to capitalise on market shifts while advancing its sustainability commitments.	

Our Strategic Priorities

LONG-TERM CONSIDERATIONS (5-10 Years)

STRATEGIES/FOCUS AREAS	IN RESPONSE TO (RATIONALE)	CHANGES REQUIRED/INITIATIVES PLANNED	RELATED CAPITALS
ESG Prioritisation	While cost considerations and a return to profitability occupies an immediate focus, addressing material ESG risks and opportunities is imperative to driving mid-term growth. The mid-term agenda sees the focus expand from material to ESG matters to include all relevant ESG areas.	• Implementing the Sustainability and ESG Framework. Kindly refer to the Risks and Opportunities to Value Creation for more information.	
Decarbonisation And Carbon Taxes	In almost all future scenario, some level of carbon taxes and emissions reduction is expected of companies. Hence, the long-term view would be to establish a realistic pathway for progressive reduction of emissions, beginning with Scope 1 and Scope 2 emissions. This would reduce exposure to any carbon taxes. Other options include purchasing of carbon credits to offset emissions.	• Continued pursuit of Phase 2 of the Energy Masterplan towards facilitating continued and increased decarbonisation efforts which would reduce overall emissions profile of the refinery.	
Succession Planning	The development of local managers to fill the upper echelon is vital for long-term business and operational sustainability. This includes identifying internal and external talents and moulding high potentials. The risks include the need for a long gestation period before talents come through the pipeline ready for senior leadership positions.	• The manager development plan is dependent on the criticality of management, operational and technical positions in HRC. Hence, the plan going forward is the commencement of a competency based rotation programmes not just for managers, but also for other critical line positions across the business process, notably plant engineers. The longer term aspiration is to expand the programme to other departments and focus areas based on a needs based approach.	
Artificial Intelligence (AI)/Digitalisation	The long-term sees an increased focus on specific aspects of technology, notably in achieving competitiveness with industry peers.	• More robust planning on IT requirements including assessing readiness of existing infrastructure for AI integration.	

Value Creation Model

Our Vision is to be a leading global energy and petrochemical company, pioneering sustainable solutions.

1 CAPITAL INPUTS

Financial
All financial resources deployed for the execution of business model. Includes cash and bank balances, borrowings, retained earnings, shareholders' equity and investments. Financial outputs typically comprise revenues, earnings, sales and dividends.

- Retained earnings: RM986.8 million
- Bank balances: RM679.1 million
- Borrowings: RM1.4 billion
- Total Assets: RM3.8 billion
- Total Equity: RM1.2 billion
- Trade Receivables: RM446.7 million

Manufactured
All plant, machinery, assets and equipment deployed notably the refining plant towards generating refined products.

- Crude oil refining plant with licensed capacity of up to 156,000 barrels/day
- Equipped with 2 crude distillers, LRCCU, HMU, hydro-processing, E4M and E5G units
- Multi-product pipeline to Klang Valley & KLIA
- Single buoy mooring system
- Jetty with 3 berths

Intellectual
Comprising business strategies, proprietary systems and processes, internal methodologies and know-how and technology. Also includes the competences, capabilities and experience of the Board and Senior Management.

- Technical expertise provided through 51% ownership by Shandong Hengyuan Petrochemical Company Limited (SHPC)
- ISO based and industry best practice systems including proprietary methodologies and intervention strategies
- 13 tactics implemented under Business Improvement Plan (BIP)
- Implementation of structured reliability and performance monitoring systems (e.g. SCONE culture, RMF) supporting operational excellence

Human
The talent pool of employees who work across the business. This includes their skills, competences, professional capabilities as well as employee morale and satisfaction.

- 1.79 million manhours worked
- ICARE culture promoting integrity, collaboration, accountability, respect, and entrepreneurial mindset
- Targeted leadership and technical training programmes
- Continued support for SWAN (Site Women Action Network) to promote gender empowerment
- 2 townhall sessions and 3 Employee Engagement activities

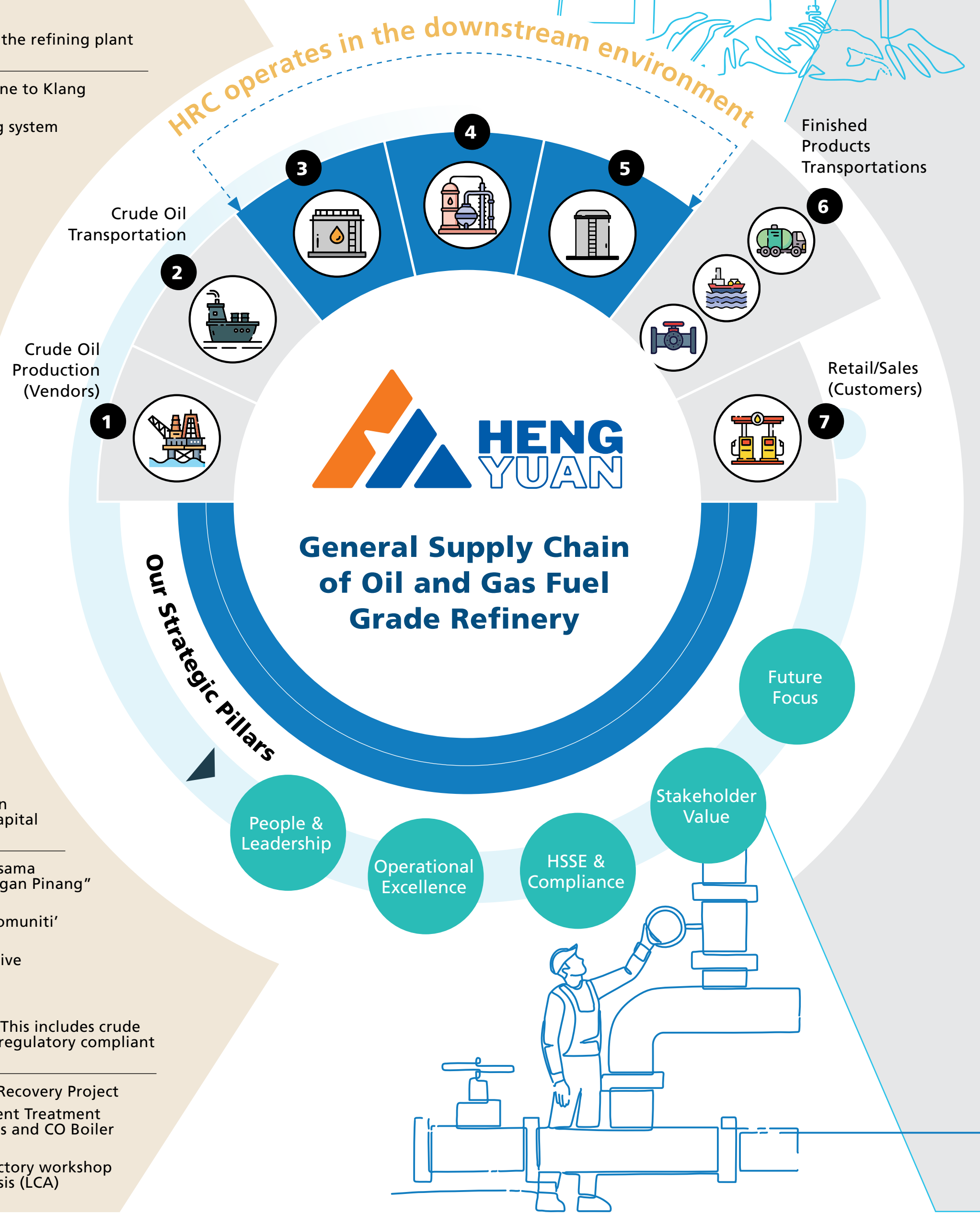
Social
Comprising stakeholders' perceptions of HRC's operations, especially from community and regulatory stakeholders. Given HRC's business model comprising refinery operations, social capital is material to the Company's ability to operate.

- No LOPC, No Fire campaign
- Goal Zero (GZ) Walk programme
- Tier 3 Exercise Merbok VIII emergency preparedness drill
- Mutual Aid Agreement Signing Ceremony with Petron Malaysia
- myUNJAM 2024 "Bersama Komuniti Nelayan Bagan Pinang" programme
- Two 'Hari Bersama Komuniti' programmes
- Local community festive celebrations

Natural
All physical resources sourced from the natural environment. This includes crude oil, energy, water, land and other resources. Outputs include regulatory compliant effluents and emissions as well as noise levels.

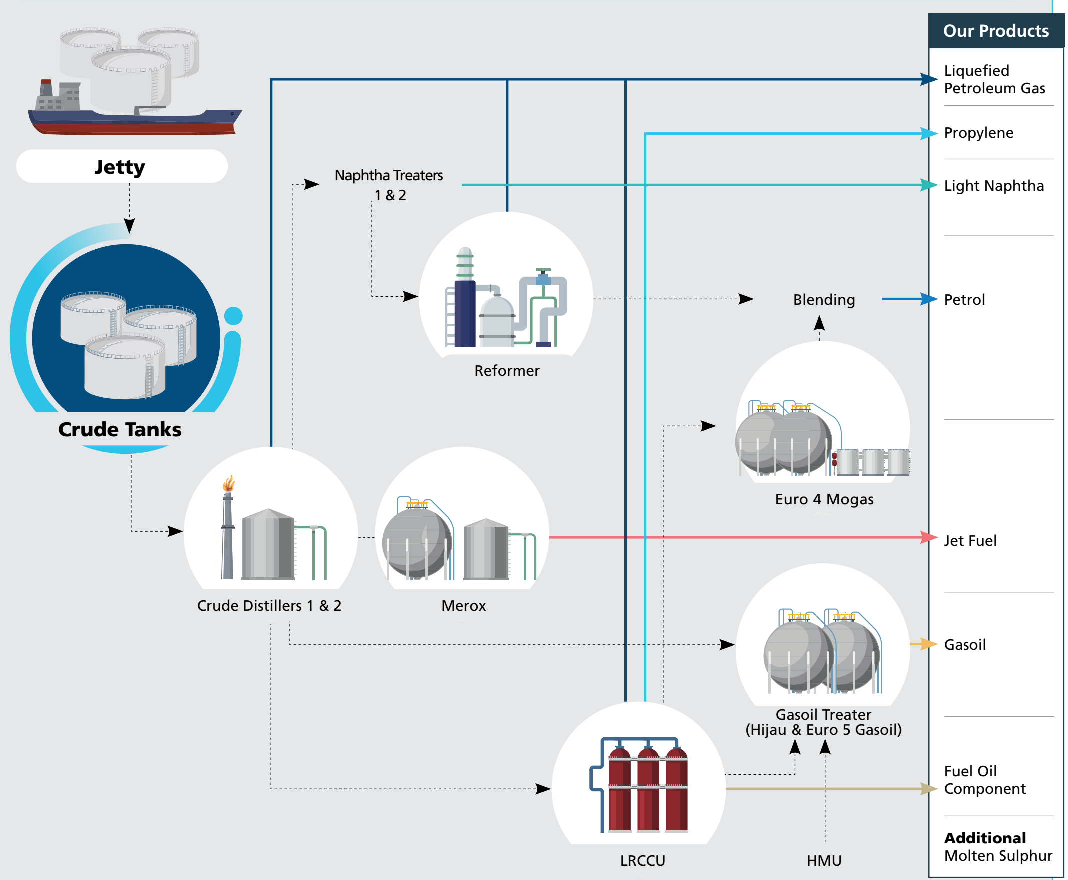
- 2,640 megalitres of water consumption
- 194,853 tonnes of energy consumption
- Compliance with ISO 14001:2015 Environmental Management System
- Initiated Flare Gas Recovery Project
- Implemented Effluent Treatment Plant enhancements and CO Boiler Efficiency Boost
- Conducted introductory workshop on Life Cycle Analysis (LCA)

2 OUR BUSINESS MODEL

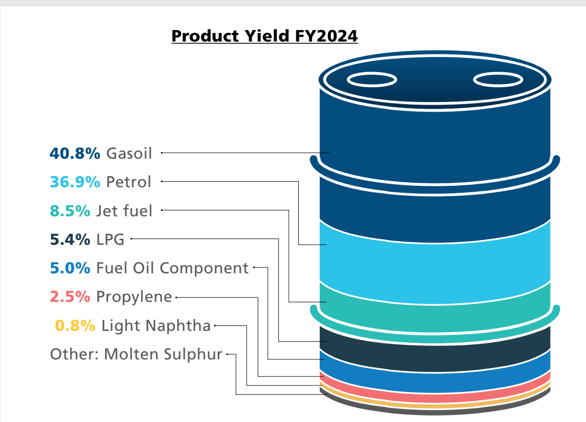


Value Creation Model

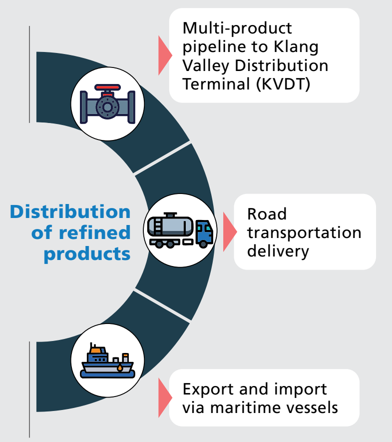
Through Our Operational Process



We Produce The Following



We Supply Refined Products Via



3 OUTPUTS AND OUTCOMES

Financial
- Revenue: 17.2 billion
  11.8% revenue growth
- Gross profit: RM196.7 million
- Retained earnings: RM986.8 million
- Cash and cash equivalents as end 2024: RM670.3 million
- Trade Receivables: RM446.7 million
- Total Equity and Liabilities: RM3.8 billion
- Fulfilled all repayment commitments

Manufactured
- Produced 36.8 million barrels of refined products
- Unplanned downtime (UPDT) of 7.4% (2023: 0.68%)
- Successfully reduced sulphur content to enable upgrade to E5M
- Achieved approx. 24,000m³ per year in Gasoil savings at 10ppm sulphur level
- Reduced cost of production of refined products through improved quality and faster time to market
- Monitored wastages, including oil loss and product quality giveaway, to identify potential mitigation measures

Intellectual
- Zero non-conformities in surveillance audits for ISO 37001, ISO 45001, and ISO 27001 in FY2024
- Zero product quality incidents with Implementation of IPMS at ISO 17025 accredited laboratory operations
- ISMS (ISO27001:2013) SIRIM recertification audit
- Improved procurement strategies
- Expected annual margin improvement of approximately USD 7 million starting in 2025 from BIP

Human
- 407-strong workforce of which 81% are permanent staff
- 9,606 training hours delivered, averaging 28.34 per employee
- 100% completion rate for anti-corruption training and annual integrity declarations
- Zero substantiated human rights violations
- Improved employee satisfaction and morale
- 72 long service employees rewarded

Social
- RM186 million in new customer sales
- Term agreement for sale of propylene to PTT International Trading
- One API Tier 1 Process Safety event and Zero API Tier 2 incidents and recorded
- Zero fatalities and zero loss time incident ("LTI")
- Inclusion of over 40 new suppliers
- Revenue diversification and reduced dependence on a single customer
- Improved productivity and stakeholder confidence in refining operations with continued community goodwill
- Achieved an internal customer satisfaction score of 4.5 and an external customer satisfaction score of 4.7 (overall score: 5)

Natural
- 8.2% reduction in GHG intensity despite 5.7% increase in absolute Scope 1 & 2 emissions
- Energy Intensity Index of 114
- 80% reduction in hazardous sludge
- 2,220 kg of e-waste collected and diverted from landfills
- Boiler efficiency improved by 3.5%, generating 270 tonnes of steam per day without needing extra fuel
- Expansion of Scope 3 emissions to include more types/aspects by adopting the spend based or analysis methods for a more comprehensive and accurate emissions profile

Our Operating Environment And Business Strategies

Refer to pages 39 to 42

Our Risks and Opportunities

Refer to pages 43 to 52

Profile of Directors

Board Committee:

Committee Chairman	BTC Board Tender Committee	BPRC Board Projects Review Committee	BRMC Board Risk Management Committee
Committee Member	BNRC Board Nominating and Remuneration Committee	BWC Board Whistleblowing Committee	BAC Board Audit Committee

Board Meeting Attendance in 2024: 5/5

Wang, YouDe

Chairman
Non-Independent Non-Executive Director

Nationality: Chinese | **Age:** 62 | **Gender:** Male

Board Committee: BTC (Chairman), BNRC, BPRC, BWC

Date of Appointment: 22 December 2016

Academic Qualification

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

Experience

- Chairman of the Board, Shandong Hengyuan Petrochemical Company Limited (2001-present)
- General Manager, Shandong Hengyuan Petrochemical Company Limited (2001-2023)
- 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

Board Meeting Attendance in 2024: 5/5

Surinderdeep Singh Mohindar Singh

Independent Non-Executive Director

Nationality: Malaysian | **Age:** 56 | **Gender:** Male

Board Committee: BNRC (Chairman), BWC (Chairman), BAC, BPRC

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

Professional Membership

- Member of the Institute of Corporate Directors Malaysia (ICDM)

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 Techincal Analyst with Pilipinas Shell Petroleum Company and Shell Malaysia Trading Sdn Bhd (1993-2004)

Directorship of Other Listed Issuers/ Public Companies

None

Profile of Directors

Board Meeting Attendance in 2024: 5/5

Tai Sook Yee

Independent Non-Executive Director

Nationality:
Malaysian

Age:
62

Gender:
Female

Board Committee:
BAC BRMC

Date of Appointment:
1 November 2022

Academic Qualification

- Certified Public Accountant, Malaysian Institute of Certified Public Accountants

Professional Memberships

- Member of the Malaysian Institute of Accountants (MIA)
- Member of the Malaysian Institute of Certified Public Accountants (MICPA)
- Member of the Institute of Corporate Directors Malaysia (ICDM)

Experience

- 36 years of finance, governance and regional business experience across multiple industries
- 30 years of business leadership positions and senior management roles in finance, strategy, investments, in heavy building materials, industrial supply chain, maritime, port & logistics, and oil & gas businesses in:
  - IMC Pan Asia Alliance Group (now known as TPC Group) (2007-2019), as
    - Chief Operating Officer, OCTAVE (2018-2019)
    - Executive Director, AITIA Institute (2016-2020)
    - Group Managing Director, IMC Industrial Group (2012-2016)
    - Head of Chairman's Office, IMC Pan Asia Alliance Group (2009-2012)
    - Head of Group Strategies and Investments, IMC Pan Asia Alliance Group (2007-2009)
  - CEMEX Malaysia, as Country Director (2003-2007)
  - RMC Group Services, as Regional Controller, IMEA (India, Middle East, Asia) (2001-2003)
  - Golden Plus Holdings Berhad, as General Manager, Finance & Corporate Services (1992-2001)
  - Bumiputra Merchant Bankers Berhad, as Corporate Finance Advisor (1990-1992)
- Served with KPMG Malaysia and KPMG USA (1982-1990)
- Directorships on boards of companies listed in Malaysia and Australia:
  - Hume Cement Industries Berhad (2018-present)
    - Independent Non-Executive Director
    - Chair, Board Audit & Risk Management Committee
  - ATLAS Iron Limited, ASX Listed (2010-2015)
    - Non-Executive Director
    - Chair, Remuneration and Nomination Committee
  - LINQ Capital Limited, ASX Listed, Non-Executive Director (2010-2012)

Profile of Directors

Board Meeting Attendance in 2024: 5/5

Li, XiaoXia

Independent Non-Executive Director

Nationality: Chinese | **Age:** 61 | **Gender:** Female

Board Committee: BRMC BPRC BNRC

Date of Appointment: 8 December 2023

Academic Qualification

- Master of Economics & Finance, Shandong University, Jinan, Shandong, China
- Bachelor of Economic Management, Shandong University, Jinan, Shandong, China

Experience

- Over 30 years of experience in the banking industry with various leadership roles, including as:
  - General Manager, Credit Management Department, Hengfeng Bank (Headquarters), Jinan, Shandong (2018-2023)
  - Credit Expert, Industrial and Commercial Bank of China (ICBC) (2014-2018)
  - President, Dezhou Branch, ICBC (2008-2012)
  - General Manager, Credit Management Department, Shandong Branch, ICBC (2003-2008)
  - Deputy Director, Project Evaluation Department, Shandong Branch, ICBC (2000-2003)

Directorship of Other Listed Issuers/ Public Companies

None

Board Meeting Attendance in 2024: N/A (Appointed on 3 March 2025)

Peter Ho Kok Wai

Independent Non-Executive Director

Nationality: Malaysian | **Age:** 65 | **Gender:** Male

Board Committee: BAC BRMC

Date of Appointment: 3 March 2025

Professional Memberships

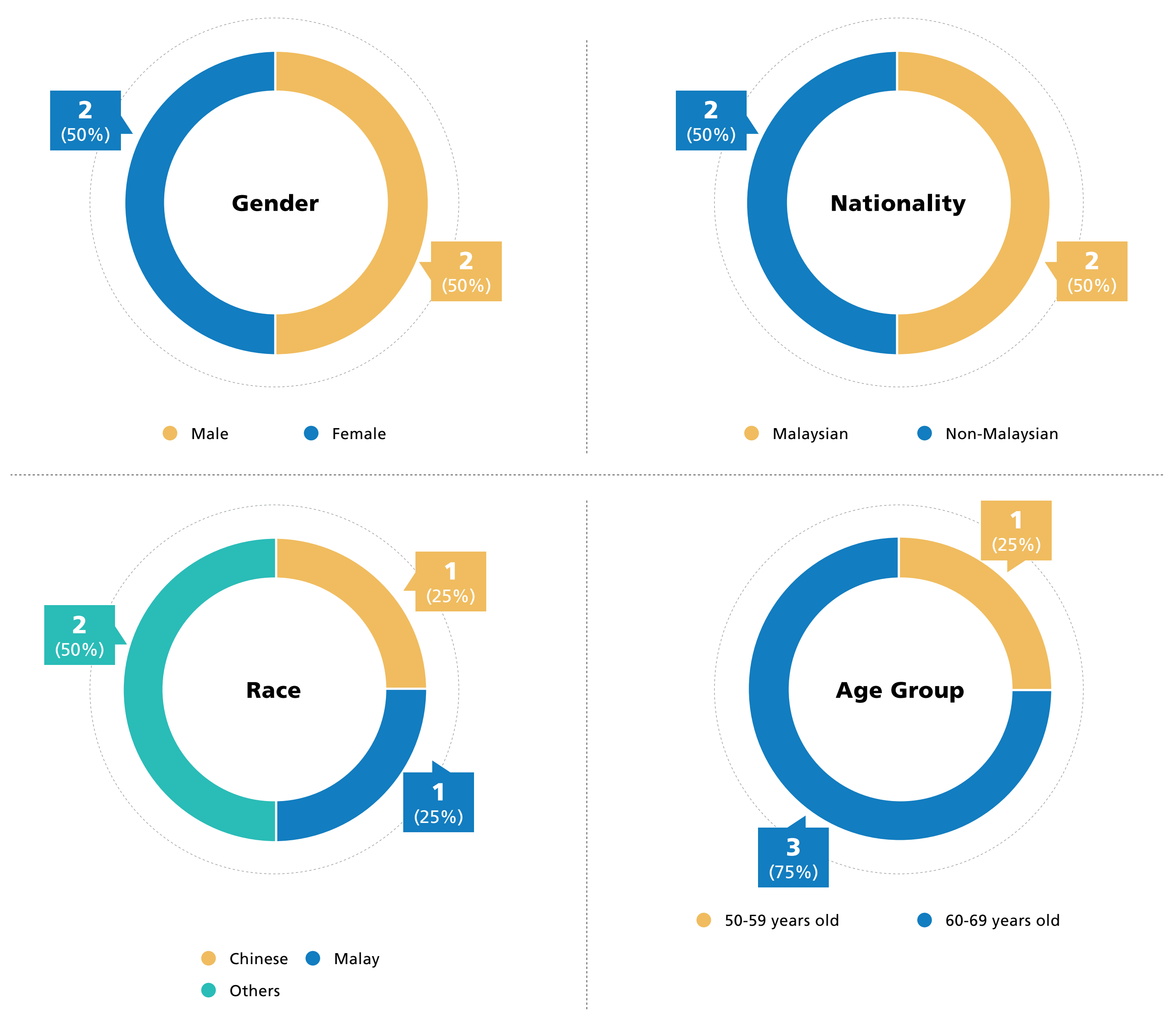
- Member, Malaysian Institute of Accountants (MIA)
- Fellow, The Institute of Chartered Accountants in England and Wales
- Member, The Malaysian Institute of Certified Public Accountants (MICPA)

Experience

- Over 35 years of auditing experience in a wide range of companies including public listed companies and multinationals, with particular emphasis in manufacturing, distribution and financial services
- 27 years with KPMG, including as:
  - Partner, KPMG (1995, retired end-2014)
  - Head of Branch, KPMG Ipoh (1993)
  - Head of Department, KPMG (1992)
  - Audit Senior, KPMG (1987)
- Chartered Accountant, Everett Pinto & Co (1980-1986)
- Directorships on boards of companies listed in Malaysia and Singapore
  - Hong Leong Capital Berhad
  - PMB Technology Berhad
  - Allianz Malaysia Berhad
  - First Resources Ltd

Profile of Directors

BOARD DIVERSITY (as at 31 December 2024)



NOTE:
All of the Directors do not have any family relationship with any other Director and/or major shareholder of our Company; and do not hold any shares in the 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 Profiles

Luke Yin Lujiang

Chief Executive Officer

Nationality:	**Age:**	**Gender:**
Chinese	53	Male

Appointed with effect from
9 October 2023

Luke holds a Master's degree in Engineering from School of Material Chemistry of Zhejiang University.

He started as Assistant Engineer in Refinery of Sinopec Qilu Branch in 1993 and held various positions as Engineer, Production Director, Senior Engineer for more than 19 years with the company. The last position held was Deputy Chief Engineer before he joined ChemChina Oil & Gas Corporation as Deputy Director of the Production and Operation Office. He was Assistant to the General Manager in China Sinochem Holding Group Oil & Gas Corporation and also the Chairman of Daqing Zhonglan Petrochemical Co., Ltd before joining HRC.

Luke has a wealth of experience in production and operation, safety and environment protection work, production management, process management, energy-saving technology management, equipment management, planning and statistical management, scheduling management and quality management, logistic, sales, finance and other aspects.

Yeo Bee Hwan

Chief Financial Officer

Nationality:	**Age:**	**Gender:**
Malaysian	57	Female

Appointed with effect from
1 August 2024

Yeo is an Associate Chartered Management Accountants (ACMA) of Chartered Institute of Management Accountants (CIMA), United Kingdom and a member of the Malaysian Institute of Accountants. She is also a Chartered Global Management Accountant powered by the American Institute of Chartered Public Accountants (AICPA), and CIMA, UK.

She started her career as an external auditor before joining Hume Industries Division under Hong Leong Group in 1994. She then joined Tuan Sing Holding Limited Group in 2000 and since then, she has held senior positions with various corporations including Wah Seong Corporation Berhad Group; Bumi Armada Berhad Group, and Oriental Sheet Piling Group (JV with Steel Division under Arcelor Mittal Group). She was the Chief Financial Officer ("CFO") in Hiap Teck Venture Berhad Group from 2016 until December 2021 and Pecca Group Berhad from January 2022 till July 2024, prior to joining Hengyuan Refinery Company Berhad ("HRC").

Yeo has over 30 years of extensive experience in finance and reporting, compliance and corporate governance, costing and strategic pricing, treasury and funding management, corporate exercises, legal matters, internal control and related policies, financial management, risk management, audit and tax planning. Her career spans across diverse industries, including media, semiconductor manufacturing, oil and gas engineering, steel industry and the automotive sector, where she has worked with conglomerates, multinational corporations, and public listed companies.

Management Team Profiles

Teng Yuan Lin

Acting Chief Operations Officer

Nationality:	Age:	Gender:
Chinese	52	Male

Appointed with effect from
1 September 2024

Teng Yuan Lin has more than 28 years of experience in oil & gas industry. His career began in 1996 at Shandong Hengyuan Petrochemical Company Limited (SHPCL). Since then, Teng has held significant roles in various departments at SHPCL, including Processing, Scheduling, and Engineering & Projects. His involvement in numerous major turnarounds and upgrading projects has equipped him with a deep understanding of processing, production management, and project management.

In 2021, Teng joined Hengyuan Refining Company Berhad where he served as a Maintenance Manager. He was subsequently promoted to the Acting Chief Operations Officer in 2024.

He earned a Bachelor's Degree in Computer Application from Northwestern Polytechnical University in China.

Steven Zhou Yi Bing

Chief Commercial Officer

Nationality:	Age:	Gender:
Chinese	59	Male

Appointed with effect from
5 December 2023

Steven holds a bachelor's degree in Organic Chemical Engineering from East China University of Science and Technology Shanghai.

Steven brings with him a wealth of experience and expertise in refinery and trading. His professional journey commenced at Sinopec Zhenhai Refining & Chemical Co., Ltd Ningbo as an Engineer. He then progressed as a Planner and achieved the position of Deputy Director within a span of 7 years. Following this, he joined China International United Petroleum & Chemical Co., Ltd, assuming the role of General Manager in the Crude Department, overseeing the crucial crude oil import business for SINOPEC subsidiaries. Steven's career trajectory continued to ascend as he spent 5 years as the General Manager at Guangzhou Twinace Petrochemical Co., Ltd in Guangzhou and Singapore and later served as the CEO of Helongjiang United Oil & Chemical Co., Ltd (with offices in Beijing, Harbin and Singapore) for 2 years. He was the Vice President for Wanxiang Resources Co., Ltd based in Shanghai and Singapore for 1 ½ years. Before joining HRC, Steven served as the General Manager at Zhejiang Petroleum Trading Co., Ltd and Zhejiang Petroleum (Singapore) Pte Ltd for 5 years.

His diverse professional background encompasses technology management, strategic planning, procurement, and management of crude oil imports, as well as extensive experience in fuel oil, chemical physical trade, and future hedging operations. Furthermore, his expertise extends to commodities trading, including metal, energy products, and chemical commodities.

Management Team Profiles

Zulhazmi bin Mohamad

Chief Government Relations Officer

Nationality:	Age:	Gender:
Malaysian	54	Male

Appointed with effect from
1 August 2020

Zulhazmi, a distinguished professional, holds a Bachelor of Electrical Engineering (Hons) from the University of Southampton, UK. His remarkable journey with the Company began in 1989 when he was selected as one of the Shell scholars to pursue A-Levels and subsequently a Degree in the UK, completing his academic endeavours in 1994. Over the course of 25 years, Zulhazmi has demonstrated exceptional dedication and expertise as he seamlessly navigated through a spectrum of roles, including major projects, large-scale turnarounds, diverse engineering disciplines, and vital maintenance undertakings.

Throughout his tenure, Zulhazmi has played pivotal roles in both global and regional projects and turnarounds as well as maintenance, contributing significantly to the Company's success. Noteworthy among his achievements is his involvement in the comprehensive life cycle of the state-of-the-art Long Residue Catalytic Converter Unit (LRCCU) project and the HIJAU complex for HRC in Port Dickson, spanning detailed design, construction, commissioning, and successful start-up.

In recognition of his exceptional capabilities, Zulhazmi assumed the role of Senior Engineering Manager and became an integral part of the site senior leadership team in 2011, showcasing his leadership and strategic acumen. His journey continued to ascend as he was appointed Chief Projects Officer in 2018, where he continued to demonstrate his prowess in steering projects and turnarounds.

In 2019, Zulhazmi took on the pivotal role of Chief Government Relations Officer, evidence of his versatile skill set. In this capacity, he provides invaluable support to the Company by mediating business and operational issues. His expertise comes to the forefront as he offers advice and identifies interventions and strategies to address critical situations or disputes involving government, regulation, and legislation.

Zulhazmi's multifaceted career trajectory exemplifies not only his technical proficiency but also his adeptness in strategic leadership and effective collaboration, making him an invaluable asset to the Company's growth and success.

Austin Zhou Qiang

Senior Vice President, Engineering

Nationality:	Age:	Gender:
Chinese	54	Male

Appointed with effect from
1 April 2022

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

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

Management Team Profiles

Chang Chuak Shin

Senior Vice President, Quality and HSSE

Nationality: Malaysian | **Age:** 40 | **Gender:** Male

Appointed with effect from
12 August 2021

Chang Chuak Shin holds a bachelor's degree in Mechanical Engineering (Hons) from Universiti Tenaga Nasional, Malaysia. He holds professional membership with the Board of Engineers Malaysia and a Certified Maintenance and Reliability Practitioner (CMRP).

Chang has contributed over 15 years of dedicated service to the company. He embarked on his professional journey with the organisation (formerly known as Shell Refining Company FOM Berhad) through the company's graduate programme in 2009. Initially serving as a Rotating Equipment Engineer, Chang's career trajectory evolved as he assumed the role of Maintenance Excellence Advisor in 2016. Subsequently, he double hatted in 2018 as the Major Turnaround Coordinator, seconded to the Major Projects Team. In 2019, Chang was appointed as the Maintenance Manager, showcasing his leadership and expertise in various capacities.

Throughout his tenure at HRC, Chang has been at the forefront of initiatives aimed at enhancing refinery operations. His contributions include effective plant troubleshooting, implementing optimisation strategies, and ensuring flawless execution. Notably, under his leadership, his team achieved a commendable zero safety recordable cases record, emphasising his commitment to safety and excellence in the industry.

Vikas Rishi

Senior Vice President, Technology

Nationality: Indian | **Age:** 43 | **Gender:** Male

Appointed with effect from
1 April 2022

Vikas holds a bachelor's degree Chemical Engineering from Thapar University, India. He has a total of 19 years of diverse experience in oil and gas refining and previously worked with two renowned Major oil & gas refining companies in India i.e Reliance Petroleum limited and Hindustan Petroleum-Mittal Energy Limited in Technology Department. In 2018, he took over the role of Technology Section Head-PU1, Oil Movement and HDS-2 until March 2022 at HRC. Later was promoted to Senior Technology Manager.

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

Xiang Rui Tao

Vice President, Contracts & Procurement

Nationality: Chinese | **Age:** 35 | **Gender:** Male

Appointed with effect from
1 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 assumed the current role as Vice President, Contracts & Procurement.

NOTE:
None of the Management Team members hold directorship in any public companies and public listed companies in Malaysia; or have any 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 5 years.

Corporate Governance Overview Statement

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

The Company continues to be recognised in the Minority Shareholders Watch Group (MSWG) Corporate Governance Awards 2021 as one of the top 100 companies for corporate governance disclosure. In December 2023, HRC continued to receive the maximum four (4) stars in Environmental, Social and Governance (ESG) ratings, ranking the Company amongst the top 25% public companies listed in the FTSE Bursa Malaysia Emas Index which were assessed by FTSE Russell. Additionally, HRC was also awarded The Edge Malaysia ESG Award for Most Consistent Performance Over 5 Years (Gold) in 2023, which remarked the Company's commitment to ESG principles and sustainability, as well as its consistent performance over 5 years. These achievements were accorded to the Company based on public information and disclosures in the financial year ended 2023. 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 2024 (FY2024), 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 2024, providing details on the application of the Practices set out in the MCCG during FY2024 and explanations for any departures from the recommended Practices. These are published on the Company's website at *www.hrc.com.my*.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

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

i. Board Audit Committee (BAC);
ii. Board Nominating and Remuneration Committee (BNRC);
iii. Board Risk Management Committee (BRMC);
iv. Board Projects Review Committee (BPRC);
v. Board Tender Committee (BTC); and
vi. Board Whistleblowing Committee (BWC).

No	Principal Responsibilities	Explanation and updates for FY2024
i.	**Together with senior management, promote good corporate governance culture within the Company which reinforces ethical, prudent and professional behaviour**	The Company has a full set of governance controls, policies and procedures, including HRC's General Business Principles, Code of Conduct, Anti-Bribery and Corruption Policy, Anti-Bribery & Corruption and Anti-Money Laundering Manual, Manual of Authorities, Directors' Fit & Proper Policy, a control framework and approval checks at various levels to instill good corporate governance practices within the Company.
ii.	**Reviewing and adopting a strategic plan for the Company**	On 27 November 2024, the Board reviewed and approved the 2025 Business Plan comprising (i) Purpose, Vision, Mission, and Values; (ii) Business Strategy (iii) Financial, Headcount and 2025 scorecard presented by the Management, setting out the Company's strategy to achieve both short-term and long-term value creation. Operational Excellence Framework was implemented in tandem with building capabilities, leadership support and programme stewardship. The areas of focus included People, Personal and Process Safety, Asset Reliability, Major Projects and Environmental, Social and Governance (ESG). The Company's Purpose, Vision, Mission and Values shall remain the same.

Corporate Governance Overview Statement

No	Principal Responsibilities	Explanation and updates for FY2024
iii.	**Overseeing the conduct of the Company's business**	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 with laws and regulations (including HSSE compliance) and human capital management. With the assistance of the various Board Committees, the Board reviews, challenges and deliberates on proposals tabled by the Management and discusses the Company's performance during Board and Board Committees meetings. These meetings are held in accordance with the frequency specified in the Board Charter and the Terms of Reference (TOR) of the respective Board Committees, with additional meetings to be convened where necessary. The performance and effectiveness of the Company are assessed and measured in a scorecard based on Key Performance Indicators (KPIs) set for the Management.
iv.	**Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures**	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. The BAC monitors the Company's management of financial risk processes, accounting and financial reporting practices and 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.
v.	**Succession planning**	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. The appointments, discipline, and termination of key positions in senior management, such as the Chief Executive Officer (CEO), Chief Financial Officer (CFO) or Financial Controller (in the absence of CFO) and Head of Human Resource (HR) or HR Manager (in the absence of Head of HR), are evaluated by the BNRC before recommendations are made to the Board for approval. The BNRC also reviews the leadership needs of the Company on a regular basis and ensures that an appropriate succession planning framework, management & development talent, and human capital development programme are in place for senior management as well as employees, taking into account the skills required and the challenges and opportunities faced by the Company. The succession plans are discussed in the quarterly BNRC meetings. The BNRC recommends nominations to the Board and Board Committees, based on objective criteria, merit and with due regard to diversity of gender, nationality, age, culture, socio-economic background, skills, experience and independence. The Committee also reviews the annual assessment of the effectiveness of the Board, the Board Committees and individual directors, and evaluates the Board's composition to ensure that the composition of the Board and Board Committee are able to discharge their duties effectively.

Corporate Governance Overview Statement

No	Principal Responsibilities	Explanation and updates for FY2024
vi.	**Overseeing the development and implementation of a stakeholder communications policy for the Company**	The Company keeps its stakeholders updated through communications published on the Company's website and announcements made to Bursa Malaysia, including general announcements and the Company's quarterly financial reports, annual report, sustainability report and circulars to shareholders, as well as virtual townhall meetings and employee information circulars, whenever required. Apart from that, the Company continues to engage in active communications with the communities near the Company's site in Port Dickson to foster close relationships and keep its neighbours informed on matters that may affect them.
vii.	**Reviewing the adequacy and the integrity of the management information and internal control systems of the Company**	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 objectives to achieve excellence in three (3) areas, such as (i) the effectiveness and efficiency of operations; (ii) the reliability of internal and external reporting; and (iii) compliance with laws and regulations. The Board reviews the integrity of the Company's financial and non-financial reporting with the assistance of the BAC and the BRMC to ensure that there is a sound framework of reporting internal controls and regulatory compliance. The Board is also supported by the Company's internal audit and risk and integrity functions to ensure that internal controls and risk management are properly managed. 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 80 of this Annual Report.

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

Separation of Positions of the Chairman and Chief Executive Officer

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

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

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

Company Secretary

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

Corporate Governance Overview Statement

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 in accordance with the Board Charter and the TOR of the respective Board Committees. This is to ensure that sufficient time is provided to the members to review and evaluate the matters to be deliberated at meetings, and request additional information or clarification from Management prior to the meetings for timely decision making.

The Company uses an online collaborative software to facilitate the effective distribution of board meeting materials and allow Board members to easily access, review and comment on the Board papers securely. Board and Board Committee members will raise meeting-related questions and action items for follow-up by the Management. This system enhances efficiency and communication, ensuring that relevant matters are addressed promptly and effectively.

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

Board Charter

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

The Board regularly reviews and updates the Company's Board Charter, with the most recent update on 26 February 2024, to align with the amended MMLR issued by Bursa Malaysia.

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, health, safety, security, environment and social performance, breach of laws and regulations, insider dealing, use of information technology and electronic communications, data privacy, intellectual property, information and records management, gift & hospitality procedure, disclosures and business communication.

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

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

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

Whistleblowing

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

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

i. Review, investigate and resolve complaints of improper conduct of any member of the Board or any employee of the Company that is submitted to the BWC through the Company's whistleblowing channel;

ii. Develop the Company's Whistleblowing Policy and procedures and to implement them together with the Management of the Company; and

iii. Periodically assess the adequacy and effectiveness of the Company's Whistleblowing Policy and procedures and to revise them as necessary.

Corporate Governance Overview Statement

The Board regularly reviews and updates the Company's Whistleblowing Policy. The Company's Whistleblowing Policy and TOR of the BWC were last updated and approved by the Board during the Board of Directors' Meeting held on 27 November 2024.

The Whistleblowing Policy and TOR 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. The Management, led by the CEO, develops and recommends the strategy to ensure viability and long-term economic, environmental and social sustainability of the business to the Board, and provides leadership and oversees implementation of the sustainability strategy. The Management evaluates overall risks and opportunities of the Company in weekly and monthly management meetings based on reports received from the steering committees and the respective departments of the Company.

The Sustainability Working Group comprises of representatives from each department, such as Financial & Management Accounting, Government Relations, Contracts & Procurement, Commercial, Economics & Scheduling, Operations, Corporate Affairs, Engineering, Quality, Health, Safety, Security & Environment (QHSSE) and Technology to improve sustainability performance and monitor sustainability management and performance.

Risks arising from sustainability issues, such as emissions and waste management, QHSSE, product quality, fraud, bribery, and breach of code of conduct, succession planning and talent retention, and their mitigative actions, are identified and tracked in a risk register, which will be updated to the BRMC and the Board quarterly.

Opportunities for sustainability improvement to enhance the Company's environmental and social responsibility, employee health improvement programmes and energy optimisation, are captured in opportunities register. Both risk and opportunities registers are monitored by the Risk & Integrity Department, tracked quarterly and presented to the BRMC at its meetings.

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

In the Board Evaluation Assessment for the financial year 2024 (BEA FY2024), the Board was satisfied that the Company had carried out its duties satisfactorily in regard of addressing material sustainability risks and opportunities. The Board is satisfied that sustainability factors have been taken into consideration when exercising their duties, including the development and implementation of strategies, business plans, major plans of action and risk management of the Company. The Board is also satisfied that the sustainability matters for the year are adequately reported in the Board materials and discussed at Board or Board Committee meetings.

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

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.

Board Composition

After the retirement of Mr Wang, ZongQuan and Mr Alan Hamzah Sendut as Directors of the Company on 28 November 2024 and 31 December 2024 respectively, the Board consists of four (4) directors, comprising one (1) Non-Independent Non-Executive Director and three (3) Independent Non-Executive Directors (INEDs).

Corporate Governance Overview Statement

HRC's Board composition, consists of 75% INEDs, complies with the MMLR and adopts the Practice of the MCCG, wherein the INEDs constitute more than half of the Board, and surpassing the minimum requirement of 1/3 independent directors.

To uphold corporate governance standards, Paragraph 3.1 of the Company's Board Charter stipulates that at any given time, the majority of Board members shall be INEDs to ensure a balance of power and authority within the Board.

Subsequent to the retirement of Mr Wang, ZongQuan and Mr Alan Hamzah Sendut, the BNRC reviewed the current Board composition of HRC and recommended the appointment of Mr Peter Ho Kok Wai (Mr Peter) as the Independent Non-Executive Director of HRC for the Board's consideration. The new appointment has taken into account the criteria set out in the TOR of the BNRC, the Board Diversity Policy, and the Directors' Fit and Proper Policy, requiring Mr Peter to complete a Fit and Proper Declaration Form for evaluation by the BNRC and the Board.

On 27 February 2025, upon recommendation by the BNRC, the Board reviewed and approved the appointment of Mr Peter as the Independent Non-Executive Director of HRC with effect from 3 March 2025, after assessing his character, integrity, experience, competence, time commitment, and independence criteria as set out in MMLR. The appointment of Mr Peter as the Independent Non-Executive Director of HRC was announced to Bursa Malaysia on 3 March 2025.

None of the Company's Independent Non-Executive Directors have served beyond nine (9) years on the Board. Paragraph 3.4 of 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.

The BNRC had on 25 February 2024, reviewed the results of the annual BEA 2024 to assess the current Board composition and to determine the effectiveness of the Board, Board Committees, and each individual Director. The results of BEA FY2024 indicate that the BNRC and the Board are satisfied that the current composition of the Board provides an appropriate size, diversity, mix of skills and qualifications, knowledge and experience to discharge their duties effectively.

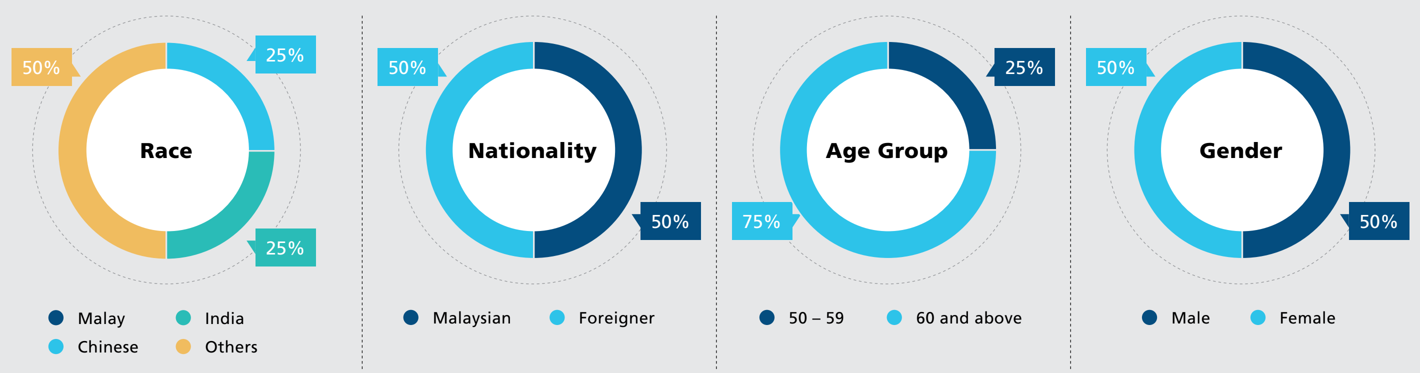
On 26 March 2024, the Board approved the 65th AGM notice containing the agendas of the re-election of directors, namely Mr Wang, YouDe, Mr Surinderdeep Singh a/l Mohindar Singh and Ms Li, XiaoXia. The statement of BNRC to support the re-election of the directors together with its justification were clearly stated in the explanatory notes of the resolutions in the Notice of 65th AGM, which was issued to shareholders on 26 April 2024.

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.

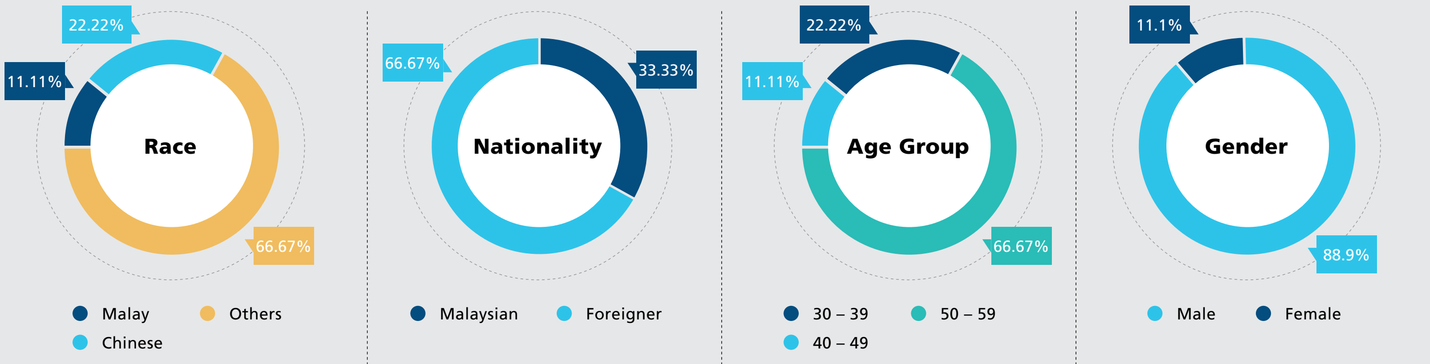
Factors considered by the BNRC include the candidate's skills, knowledge, expertise and experience, time commitment, character, professionalism and integrity, ability to work cohesively with other members, specialist knowledge or technical skills in line with the Company's strategies, age, gender, culture,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

As at 31 December 2024, the Diversity of the Board was as follows:



Corporate Governance Overview Statement

As at 31 December 2024, the Diversity of the Management team was as follows:



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

While the Board acknowledged the added value of women's participation in senior management positions, it considers a wide range of criteria that extend beyond gender diversity. The Board's approach is grounded in its Code of Conduct, which emphasises fairness and equality in all hiring practices. This includes actively preventing discrimination based on race, color, religion, age, gender, sexual orientation, gender identity, marital status, disability, ethnic origin, or nationality. The Board believes in fostering a diverse and inclusive workplace where every individual is valued and has the opportunity to thrive, ensuring that all employment decisions are based on qualifications, skills, and merit, free from bias or prejudice.

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 Mr Surinderdeep Singh Mohindar Singh, an Independent Non-Executive Director of the Company. The other members of the BNRC are Mr Wang, YouDe, a Non-Independent Non-Executive Director, and Ms Li, XiaoXia an Independent Non-Executive Director.

Nomination Activities of the BNRC

Assessment of Board Composition

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

Corporate Governance Overview Statement

The Chairman brings invaluable experience in the oil and gas industry to the BNRC. His expertise and insights are crucial for selecting the right talent for the Company. With a profound understanding of the industry's landscape, he can accurately evaluate the shifting terrains and align them with the talent needed to achieve the Company's strategic objectives. The Chairman holds a non-executive position, which ensures the objectivity of both the Chairman and the Board in considering BNRC's observations and recommendations. The BNRC has two (2) other members who are independent non-executive directors. It provides a mechanism for checks and balances to ensure objectivity in decision-making. Nevertheless, the ultimate responsibility for decisions and recommendations made by the BNRC still lies with the entire Board.

It is significant to highlight that the TOR of BNRC requires each member of BNRC to refrain from participating in discussions and voting on any matter that could potentially lead to an actual or perceived conflict of interest. As a whole, the Board is of the opinion that there is appropriate governance in place to maintain integrity of BNRC's decisions.

Based on the results of the BEA FY2024, the BNRC is satisfied with the current composition of the Board, providing an appropriate size, diversity, mix of skills and qualifications, knowledge and experience to discharge their duties effectively.

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 the BNRC Meeting held on 25 February 2025, the BNRC has considered the resume and profile of Mr Peter Ho Kok Wai (Mr Peter) as a potential candidate for appointment as Independent Non-Executive Director of the Company. He has more than 35 years of auditing experience in a wide range of companies including public listed companies and multinationals, with particular emphasis in manufacturing, distribution and financial services, and would be a valuable addition to the Board.

Mr Peter fulfils the fit and proper criteria set out in the Directors' Fit and Proper Policy, as well as meets the independence criteria set out in MMLR for an "independent director". He has no family relationship with any other Director and/or major shareholder of the Company. He did not hold any shares in HRC and has no conflict of interest in any business arrangement with the Company.

The BNRC, after having reviewed the said resume and criteria, recommended the appointment of Mr Peter as an Independent Non-Executive Director of HRC with effect from 3 March 2025 to the Board for consideration and approval.

Re-election of Directors

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

The BNRC reviewed the Directors' rotation checklist, considered the tenure of directors, namely Ms Tai Sook Yee and Mr Peter Ho Kok Wai, who are seeking re-election at the Company's 66th AGM scheduled to be held on 28 May 2025, and recommended their re-appointments to the Board, based on the following justifications:

- Based on the results of the BEA FY2024, Ms Tai Sook Yee has relevant mix of experience, skill, knowledge, expertise and core competency that is beneficial to the Company, including finance, accounting, governance, corporate, investment, strategies and support chain solutions.
- She brings an independent judgement to bear on issues of accountability, objectivity, strategy, performance and adequacy of systems and controls. She provides logical, honest opinions on issues presented without being afraid of expressing disagreement. She is also pro-active in discussing any concerns, exhibits openness and transparency.
- Mr Peter, the newly appointed Independent Non-Executive Director, has more than 35 years of auditing experience in a wide range of companies including public listed companies and multinationals, with particular emphasis in manufacturing, distribution and financial services.
- Article 81(h) of the Constitution of the Company provides that any Director appointed during the year shall hold office only until the next AGM and shall be eligible for re-election. Mr Peter Ho Kok Wai was appointed as an Independent Non-Executive Director of the Company on 3 March 2025, and he has offered himself for re-election at this AGM.

Corporate Governance Overview Statement

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.

The BEA FY2024 was conducted internally via peer and self-reviews, with an expansion of the existing assessment questionnaire to cover review of sustainability performance, a holistic perspective and identify areas for improvement. The BNRC considers the internally facilitated assessment to be sufficient for the Company's needs.

The BEA FY2024 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 independent directors of HRC had also completed their self-assessment and declared their independency in compliance with the definition of "independent director" in the MMLR.

Based on the results of the BEA FY2024, the Board's greatest strengths in FY2024 presented are the Board's ability to work together to resolve issues faced by the Company, wide spread of experience that complimented each other to function effectively as one Board, able to work as a whole and exchange thoughts for better solutions and strategy which is in the best interest of the Company, understand the Company's operations and have a clear goals and managing the Company despite changes in key management team.

The challenges identified in the BEA FY2024 were presented as follows:

- Managing changes in Senior Management, addressing the Company's liquidity and financial position, ensuring high production efficiency;
- Language differences in communication among Board members;
- Utilisation and optimisation of the available resources and networks to turn the Company into profit;
- Uncertainty in the market environment and lack of professional talent in some key positions;
- Plant stability and how to lead the Company to respond to the outside market volatility; and
- Managing losses and cash flow

The BNRC was satisfied with the performance of the Board and Board Committees. All Directors and Board Committees provided anonymous feedback on their peers' performance and individual performance contribution to the Board and respective Board Committees. The results were collated and tabled to the BNRC on 25 February 2025.

II. REMUNERATION

The Company's Directors' Remuneration Policy ensures that the remuneration packages for 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 as a whole of the Company;

(ii) The level of responsibilities, skills, expertise and experience required;

(iii) That the remuneration is set at a competitive level for similar roles and responsibilities within current market practices by comparable companies; and

(iv) That any such remuneration incentives do not conflict with the directors' obligations to bring objectivity and independent judgment to the Company.

On 25 February 2025, the BNRC reviewed, endorsed and recommended to the Board for approval of the nomination of Mr Peter Ho Kok Wai as Independent Non-Executive Director and his remuneration package in accordance with the Directors' Remuneration Policy.

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 TOR.

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

For FY2024, details of the remuneration breakdown of individual directors, including fees, salary, bonus, benefits-in-kind and other emoluments (received or to be received from the Company) are as follows:

Name	(in RM'000)			
	Salaries, bonus and salaries related benefits	Directors' fees	Attendance and other remuneration	Total
Wang, YouDe	-	738	4	742
Wang, ZongQuan*	-	236	4	240
Alan Hamzah Sendut*	-	264	4	268
Surinderdeep Singh	-	275	4	279
Tai Sook Yee	-	185	4	189
Li, XiaoXia	-	159	4	163
Total		**1,857**	**24**	**1,881**

* *Mr Wang, ZongQuan and Mr Alan Hamzah Sendut retired as Directors on 28 November 2024 and 31 December 2024 respectively.*

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 RM85,000.00.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. BOARD AUDIT COMMITTEE

In FYE 2024, the Chairman of the BAC was Alan Hamzah Sendut, an Independent Non-Executive Director who is not the Chairman of the Board. The BAC comprises solely of three (3) Independent Non-Executive Director with a diverse mix of skills, knowledge, experience and perspectives in the areas of accounting, corporate finance, banking and international finance, oil and gas, strategy, risk management, corporate governance and regulatory compliance, which enables the BAC to discharge its duties efficiently.

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 155 of this Annual Report.

The BAC assists and supports the Board by monitoring the suitability, objectivity and independence of the Company's external auditor and internal audit functions. The efficiency and effectiveness of the Company's Control Framework and internal control system has been reviewed and endorsed by the BAC based on the assurance provided by the internal auditors. Audit issues tabled by the auditors and actions taken by Management to address the issues were deliberated during the BAC meetings.

In line with Practice 9.2 of the MCCG, Paragraph 2.7 of the BAC's TOR clearly stated that a former partner of the external audit firm and/or the affiliate firm (including those providing advisory services, tax consulting, etc) of the Company shall be subject to a minimum of at least three (3) years cooling-off period before being appointed as a member of the BAC. At present, none of the members of the BAC are the former partner of Messrs KPMG PLT, except for Mr Peter Ho who is a former partner of Messrs KPMG PLT and retired from KPMG in December 2014.

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 assurance from the external auditor that they have complied with the relevant ethical requirements regarding professional independence.

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

Corporate Governance Overview Statement

The BAC is responsible to ensure that the non-audit services rendered by the external auditors has taken into account the nature and extent of the non-audit services and the appropriateness of the level of fees in order to prevent situations where the external auditor unintentionally takes on management responsibilities while providing non-audit services, which could be a violation of the external auditors' independence obligations.

The results of BEA FY2024 indicate that the BNRC and the Board are satisfied that the current composition of the BAC provides an appropriate size, diversity, mix of skills and qualifications, knowledge and experience to discharge their duties effectively, and all directors are financially literate and able to understand matters under the purview of the BAC, including the financial reporting process.

Mr Alan Hamzah Sendut retired as an Independent Non-Executive Director of HRC on 31 December 2024. The vacancy of BAC Chairman was filled by the appointment of Mr Peter Ho Kok Wai on 3 March 2025.

The BAC's report is available on page 86 of this Annual Report.

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board strives to uphold a strong and sound internal control and risk management system to ensure smooth operation of the business. It is the Company'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 opportunities in a disciplined manner, to avoid or mitigate risks that could results in loss, harm to reputation or business failure, and to enhance ability to withstand unexpected events.

The BRMC oversees and provides guidance on risk management matters to ensure prudent risk management over the Company's businesses and operations. The Company has adopted a Risk Management policy to provide practical guidance for addressing the risk and opportunities and to carry out risk assessment.

The BRMC also ensures 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 these risks. The implementation of risk controls is monitored, and the results are presented to the BRMC during its meetings quarterly.

The Company's risk management is backed up by the implementation of three lines of defense that distinguishes the three groups which are involved in effective management of risk in the Company. The lines of defense are strengthened by the roles of the Risk & Integrity Executive and the Chief Internal Auditor (CIA). 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.

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

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

(ii) The Company's site internal assurance team (SIA), which comprises of 44 trained and/or ISO certified site internal auditors from various departments in the Company. The SIA carries out the site work process audit and ISO Management system internal audits in ensuring process effectiveness of HRC and reports to the Senior Vice President of Quality & Health, Security, Safety and Environment.

The CIA will develop a suitable risk based internal audit plan for the following financial year for BAC review and approval before commencement of work. The CIA will present the findings from the IAD to the BAC and the BAC will review the major findings reported by the internal audit and follow up on Senior Management's implementation of the recommended actions.

The internal audit charter of the IAD provides that the IAD will 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 2024, which is published at *www.hrc.com.my*.

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

I. Communication with Stakeholders

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

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

(i) Town hall meetings were held twice a year to ensure effective communication with employees such as to update on the Company business performance, employee relation matters and implementation of revised Company's policies to align with key amendments of the Employment Act 1955.

Corporate Governance Overview Statement

(ii) Employee information circulars via electronic mail to all employees.

(iii) Engagement with local, state and federal government authorities and Regulators to ensure compliance with laws and regulations applicable to the Company especially on financial, tax, governance, environment, health & safety, licensing and permits.

(iv) Transparent and up-to-date announcements released through Bursa Malaysia to ensure that updates on material announcements such as material information, corporate exercise, financial reports, annual report, sustainability report and circulars to shareholders were released to shareholders and stakeholders.

(v) The Company's website which contains useful information regarding the Company's background, vision, mission, values and purpose, the Board, management team, investor relations, corporate governance policies and documents, sustainability efforts, announcements, minutes of general meeting and contact details.

(vi) E-mails and telephone enquiries to the Corporate Affairs Department, whose contact details are published clearly on the Company's website at *www.hrc.com.my*.

Through the various engagement channels with stakeholders, the Company can gather feedback to identify and prioritise what is the important areas that impact or have potential impact to the Company's business operation.

In addition, Stakeholders can report improper conduct via e-mail or in writing to the Whistleblowing Committee in any language, in accordance with the Whistleblowing Policy, which is accessible on the Company'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 65th AGM notice, proxy form, FY2023 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 email addresses.

Hard copies of the FY2023 Annual Report and circular to shareholders were posted to shareholders who requested for them within four (4) market days.

Further details on stakeholder engagement and the Company's corporate social responsibility initiatives are set out in the 2024 Sustainability Report, which is accessible on the Company's website at *www.hrc.com.my*.

II. Integrated Reporting

The Board and the Management recognise the importance of accountability and transparency in annual reports and have adopted integrated reporting for Annual Report 2024. The Integrated Reporting provides a holistic view of the Company's value creation over time by integrating financial and non-financial information.

Guided by the principles of Integrated Reporting, the Company connects key elements of governance, strategy, risks, and performance, this approach helps stakeholders to understand the Company's value creation in short, medium, and long term. The adoption underscores the Company's dedication to aligning with global best practices and strengthening stakeholder engagement.

III. 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 ensures that the notice of AGM is circulated at least twenty-eight (28) days before the meeting. The Board Charter and the Constitution of the Company provides that shareholders should be given all necessary information and notice of AGM of the Company at least twenty-one (21) days before the meeting.

The Notice of 65th AGM, together with the 2023 Annual Report and circular to shareholders, was issued on 26 April 2024, which was thirty-one (31) days before the meeting held on 28 May 2024 to ensure that sufficient notice and time were provided to the shareholders to consider resolutions that will be discussed and decided during the AGM.

The Notice of 65th AGM was circulated together with the Statement Accompanying Notice of AGM as required under to Paragraph 8.27(2) of the Listing Requirements as well as the explanatory notes to the proposed resolutions along with any background information and reports or recommendations that are relevant to enable the shareholders to consider the resolutions to be tabled at the AGM in order to make informed decision when exercising voting rights.

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, had attended the Company's 65th AGM held on 28 May 2024.

Shareholders were invited to submit questions electronically through the remote participation and voting facilities online (RPV) as guided in the Administrative Guide circulated together with the 2023 Annual Report. The Directors and Senior Management responded to questions and key matters raised by the shareholders in relation to the performance of the Company. The responses to questions that were not able to be answered due to time constraints were compiled and e-mailed to shareholders after the meeting.

The minutes of the 65th AGM, the key matters discussed and the Company's responses to MSWG's questions are published on the Company's website at *www.hrc.com.my*, within one month from the date of the Company's 65th AGM.

The Company's Corporate Governance Report and Corporate Governance Overview Statement was approved by the Board on 27 March 2025.

Statement on Risk Management and Internal Control

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

The following statement outlines the nature and scope of HRC's internal control and risk management in 2024.

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 and the internal 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 an 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 assessing that the systems continue to operate efficiently and effectively.

RISK MANAGEMENT

The energy landscape continues to be shaped by the geopolitical influence in particular the events in Ukraine and the Red Sea tension. Macroeconomic variables such as high interest rates, weakening ringgit, rising material costs, and evolving policies and regulations of Net-Zero emission by 2050 are impacting the energy sector.

The Risk and Integrity Department oversees the risk management and ensures that governance frameworks, including compliance with MS ISO 37001:2016 Anti-Bribery Management System and ISO 31000:2020 Risk Management, are effectively embedded within HRC's operations. The department also provides independent oversight on integrity risks, including fraud risk assessments and due diligence. The main objective of risk management is to promote advanced awareness and define boundaries for risk-taking, and to apply fit-for-purpose risk responses in order for HRC to provide a reasonably sufficient, but not an absolute assurance, against material misstatements, fraud or loss. In addition, it allows HRC to operate and achieve its objectives, within an acceptable risk profile.

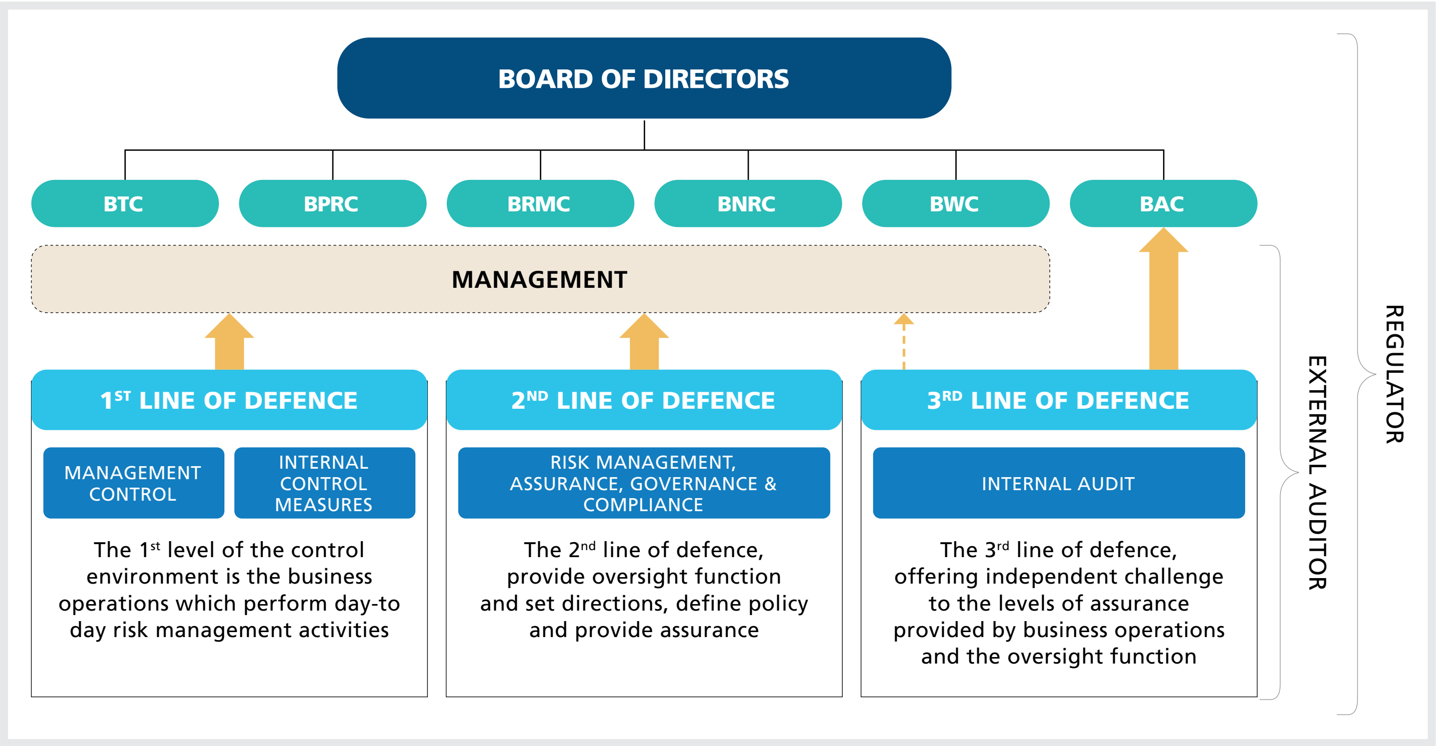
Statement on Risk Management and Internal Control

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; 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 a process for the identification, assessment, treatment, communication, monitoring and continual review of risks and the effectiveness of risk mitigation strategies and controls. This process has been in place for the year under review and up to the date of approval of this statement.

THREE LINES OF DEFENCE



Note: The director membership of each Board Committee is shown under the Board of Directors' profile on pages 60 to 62 of this Integrated Annual Report.

The HRC risk register is segregated into four (4) major components, which are:

- Operational Risk;
- Financial & Commercial Risk;
- Strategic Risk; and
- Legal & Regulatory Risk.

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

Statement on Risk Management and Internal Control

KEY INTERNAL CONTROLS

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

1. AUTHORITY AND RESPONSIBILITY

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

b. The Manual of Authorities is reviewed to reflect the authority and authorisation limits of Management in all aspects of HRC's major business operations and regulatory functions.

2. ORGANISATION STRUCTURE AND MANAGEMENT COMMITTEE

a. An organisational structure, which is aligned to the business and operational requirements, and with lines of responsibility, accountability and levels of authority, is in place to assist in implementing HRC's strategies and day-to-day business activities.

b. The Management Team supports the Chief Executive Officer (CEO) in accomplishing the vision, strategies and objectives set for HRC.

c. Various functional committees have also been established across the Company to ensure HRC's activities and operations are properly aligned towards achieving its organisational goals and objectives.

3. PLANNING, MONITORING AND REPORTING

a. An annual planning and budgetary exercise are undertaken by all departments to prepare business plans and budgets for the forthcoming year. These are deliberated on by the BAC to ensure alignment with the strategy as agreed at the latest strategy review. Thereafter, the BAC recommends the updated plans and budget to the Board for approval before its implementation.

b. HRC's financial performances are reviewed monthly by Management. The financial results and variances (if any) are presented to the Board on a quarterly basis.

c. The BAC, supported by Chief Financial Officer (CFO), shall ascertain 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 MFRS Accounting Standards as issued by the Malaysian Accounting Standards Board ("MFRS Accounting Standards") and IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards");
- adequate processes and controls are in place for effective and efficient financial reporting and disclosure in accordance with MFRS Accounting Standards, IFRS Accounting Standards, the requirements of Companies Act 2016 in Malaysia 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. Management will update 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 for its robustness in achieving HRC's sustainability goals. The sustainability strategy was approved by the Board and is disclosed in the 2024 Sustainability Report.

4. POLICIES AND PROCEDURES

Documented internal policies, standards and procedures are in place to achieve compliance with internal controls and relevant laws and regulations.

Policies and procedures are available on HRC's intranet and are accessible to the employees, which are reviewed and updated in line with external and internal development.

Statement on Risk Management and Internal Control

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 check that HRC business integrity management system works in accordance with its intended purposes.

BRMC provides oversight and direction on risk management matters, including bribery and corruption risks, and compliance with risk management frameworks. The BRMC also assesses the effectiveness of risk controls and advises on continuous improvements in risk mitigation strategies.

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

a. ANTI-BRIBERY MANAGEMENT SYSTEMS MANUAL

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

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

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

The ABMS Manual covers areas such as:

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

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

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

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

In September 2024, a surveillance audit for MS ISO 37001:2016 Anti-Bribery Management System (ABMS) was conducted by SIRIM, resulting in continued certification with no non-conformance reports (NCRs). The audit confirmed that HRC's anti-bribery controls remain effective, adequately resourced, and well-integrated into business processes.

b. BUSINESS INTEGRITY ACTIVITIES

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

On 12 December 2024, the Risk & Integrity Department organised HRC Integrity Day 2024. The event aimed to reinforce ethical leadership, good governance, and accountability across all levels of the organisation. The programme featured a keynote address by an officer from the Malaysian Anti-Corruption Commission (MACC), focusing on corporate integrity and anti-bribery best practices.

As part of HRC's continuous commitment to ethical governance, on 10 December 2024, all employees, including contract employees, were required to complete the annual Declaration of Commitment to Comply with the ABMS Manual and Code of Conduct, as well as the Declaration of Conflict of Interest. This process reinforces HRC's emphasis on transparency, ethical business practices, and compliance with ISO 37001:2016.

Statement on Risk Management and Internal Control

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 2024, 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 recruitment process. The professionalism and competency of employees are continuously enhanced through training and development programmes.

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 ("Whistleblower") to disclose any Improper Conduct in accordance with the procedures under the Policy.

Under the Policy, a Whistleblower will be accorded the protection of confidentiality of identity, 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 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 2024.

Statement on Risk Management and Internal Control

INTERNAL AUDIT

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

In FY2024, the following reviews were performed and reported to the BAC:

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

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

b. Re-certification audits were carried out by SIRIM Berhad for ISO 9001:2015 Quality Management System, ISO 14001:2015 Environmental Management Systems, ISO 45001:2018 Occupational Health and Safety Management System, and ISO27001:2013 Information Security Management System. Surveillance audit was also carried out by SIRIM Berhad for ISO37001:2016 Anti Bribery Management System, whereas Surveillance audit for ISO17025:2017 Laboratories carried out by Department of Standards Malaysia in December 2023 is valid till May 2025.

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

REVIEW OF THIS STATEMENT

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

CONCLUSION

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

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

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

Following any economic effects of the geopolitical tensions, macroeconomic variables, and evolving policies and regulations, 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 27 March 2025.

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 FY2024.

COMPOSITION AND ATTENDANCE

HRC's Board Audit Committee (BAC) comprises three (3) 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 complies with Paragraph 15.09(1)(a) and (b), 15.09(2), and 15.10 of the MMLR, and adheres to Practice 9.4 under Principle B of the Malaysian Code on Corporate Governance (MCCG).

The BAC Chairman, Peter Ho Kok Wai, is a Chartered Accountant of the Institute of Chartered Accountants in England and Wales (1984) and Malaysian Institute of Accountants (1993). He is also a Certified Public Accountant of the Malaysian Institute of Certified Public Accountants (2010). The BAC Member, Tai Sook Yee, is a Certified Public Accountant of the Malaysian Institute of Certified Public Accountants (1987) and Malaysian Institute of Accountants (1987). Accordingly, HRC complies with Paragraph 15.09(1)(c)(i) of MMLR.

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

Designation	Name	Directorship
Chairman	Peter Ho Kok Wai*	Independent Non-Executive Director
Member	Surinderdeep Singh Mohindar Singh	Independent Non-Executive Director
Member	Tai Sook Yee	Independent Non-Executive Director
Chairman	Alan Hamzah Sendut*	Independent Non-Executive Director

* *Mr Peter Ho Kok Wai was appointed with effect from 3 March 2025 and Mr Alan Hamzah Sendut retired with effect from 31 December 2024.*

HRC has also adopted Practice 9.1 of MCCG where the positions of Chairman of the Board and Chairman of the BAC are held by different persons, as well as adopted Practice 9.2 of MCCG where presently, none of the members of the BAC are former partner of Messrs KPMG PLT, except for Mr Peter Ho who is a former partner of Messrs KPMG PLT and retired from KPMG in December 2014.

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 FY2024, that it was satisfied that the BAC and its members discharged their functions, duties, and responsibilities in accordance with the BAC's Terms of Reference (TOR), which is accessible for reference on the Company's website at: *www.hrc.com.my*.

MEETINGS

The BAC held five (5) meetings during the financial year ended 31 December 2024. The details of the attendance record for each BAC member are as follows:-

Name	Attendance	
	2024	2025
Peter Ho Kok Wai*	0/0	1/1
Surinderdeep Singh Mohindar Singh	5/5	2/2
Tai Sook Yee	5/5	2/2
Alan Hamzah Sendut*	5/5	0/0

* *Mr Peter Ho Kok Wai was appointed with effect from 3 March 2025 and Mr Alan Hamzah Sendut retired with effect from 31 December 2024.*

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.

Audit Committee Report

As part of the BAC's efforts to ensure the reliability of HRC's quarterly financial statements and compliance with applicable Financial Reporting Standards, incoming KPMG PLT (External Auditors or KPMG, in replace of outgoing PwC in 2024) 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.

KPMG briefed the BAC on 24 February 2025 the outcome of the statutory audit for the financial year ended 31 December 2024, significant auditing and accounting matters, internal control observations, and developments in relevant laws and regulations.

The BAC held its independent meetings with KPMG on 26 August 2024 and 24 February 2025 without the presence of Management to discuss and provide feedback on the Company's review for 6 months ended 30 June 2024 and audit for the financial year ended 31 December 2024 respectively, the level of cooperation received from Management, any specific audit concerns, and the quality of financial reporting.

The 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 2024, the BAC Chair presented to the Board the BAC's recommendations to approve the annual and quarterly financial statements.

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

ACTIVITIES OF THE BAC

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

The BAC's key activities for the financial year ended 31 December 2024 comprised the following:

1. FINANCIAL REPORTING

In overseeing HRC's financial reporting, the BAC reviewed the quarterly financial statements for the fourth quarter of 2023 and the annual audited financial statements for 2023 at its meetings on 23 February 2024 and 26 March 2024 respectively.

The quarterly financial statements for the first, second and third quarters of 2024, 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 20 May 2024, 26 August 2024, and 21 November 2024 respectively.

On 24 February 2025 and 27 March 2025, the BAC reviewed the quarterly financial statements for the fourth quarter of 2024 and the annual audited financial statements for 2024 respectively.

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

2. EXTERNAL AUDIT

The BAC reviewed KPMG's audit plan and scope for the financial year ended 2024 and the payment of auditors' statutory and non-audit fees.

The results of KPMG's annual audit and audit findings together with observations 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 2024 in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" which were reported and reviewed by the BAC.

On 27 March 2025, the CIA reported that non-audit fees incurred in FY2024 amounted to RM193,000, representing approximately 35 per cent of the total remuneration paid to the External Auditors, which amounted to RM556,000.

The BAC had assessed and was satisfied with the competency, audit quality and independence of KPMG. The assessment was conducted based on the criteria stipulated in HRC's External Auditor Assessment Policy.

Audit Committee Report

3. INTERNAL AUDIT

The IA team conducted the audit work as per the 2024 Annual Audit Plan approved by the BAC on 27 November 2023.

In year 2024, 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 44 trained and/or ISO certified site internal auditors from various departments of HRC. The SIA carries out the site work process audit and ISO management system internal audits in ensuring process effectiveness of HRC and reports to the Senior Vice President of Quality & Health, Security, Safety and Environment.

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

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

The total costs incurred by the internal audit function of the Company for the financial year 2024 was RM558,000.

4. HRC ASSURANCE PLAN 2024

The BAC oversaw HRC's approved internal audit and assurance plan for the year 2024 which consisted of seven (7) regulatory and statutory audits, fourteen (14) internal audits and eight (8) process effectiveness reviews 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 Re-certification Audit
ISO 14001 Re-certification Audit
ISO 45001 Re-certification Audit
ISO 17025 Accreditation Audit
ISO 27001 Re-certification Audit
ISO 37001 Surveillance Audit
Internal Audits
Refinery Asset Management
Warehouse & Inventory Management
Sustainability Data Collection Processes
Name of Audit/Review
Recurrent Related Party Transaction Review (Half-Year)
Oil Loss Monitoring Processes
Human Resource Processes
HRC Regulatory Compliance Review Process
Recurrent Related Party Transaction Review (Full-Year)
ISO 9001
ISO 14001
ISO 45001
ISO 17025
ISO 27001
ISO 37001
Process Effectiveness Reviews
Pressure Equipment Integrity
Maintenance Execution
Capital Projects
Learning From Incident
Ensure Safe Production
Reliability Centered Maintenance
Permit To Work
Management Of Change

The progress of the Internal Audit and Assurance Plan 2024 and its audits were reported to the Board on a quarterly basis.

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

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

5. RELATED PARTY TRANSACTIONS

In the year 2024, 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 28 May 2024 to the 66th Annual General Meeting of the Company.

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

6. CONFLICT OF INTEREST (COI)

The Directors are required to avoid situations that may directly or indirectly conflict with the interests of the Company, whether perceived or real, and must not allow their personal or business interests to interfere with their duties. To meet the MMLR requirement, the Company has established a clear and transparent COI policy that restricts a Director from deliberating and participating in any transaction when a potential conflict of interest exists. The Directors and key senior management had disclosed the nature and extent of any actual, potential and perceived COI including their family members or related parties who have the affiliations, interests or relationships, and/or have taken part in the transactions related to HRC.

The BAC has reviewed and monitored all COI situation in the Company and there was no potential COI reported in FY2024.

7. OTHERS

Other matters discussed by the BAC during its meetings include:

(a) The treasury report relating 12 months solvency, banking facilities and foreign exchange hedging. BAC also review the financial covenant of the Company;
(b) Quarterly updates on the Recurrent RPT (RRPTs) received from the Management. The BAC also ensured that all RRPTs were within the thresholds of the shareholders' mandate approved at the 65th AGM held on 28 May 2024;
(c) To review the RRPT agreements, rental of corporate office, and renewal and extension of services;
(d) The review of the FY2023 audit representation letter and Statement on Risk Management and Internal Controls (SORMIC) representation letter;
(e) The review of the FY2023 SORMIC and the BAC Report disclosure for the respective financial year for the purpose of inclusion in the Company's annual report;
(f) To review incoming KPMG PLT (the external auditor) engagement letter relating to SORMIC;
(g) To review the margin performance;
(h) The review of 2025 HRC Business Plan, i.e. Purpose, Vision, Mission, Values, Business Strategy, Financial, Headcount and 2025 scorecard; and
(i) To review the change of BAC Term of Reference (TOR).

Financial Report

Financial Statements

Directors' Report

The Directors hereby submit their report and the audited financial statements of the Company for the financial year ended 31 December 2024.

Principal activities

The Company is principally engaged in refining and manufacturing of petroleum products. There has been no significant change in the nature of these activities during the financial year.

Ultimate holding company

The ultimate holding company during the financial year was Shandong Linyi County Petrochemical Factory, a company incorporated in China. In January 2025, the ultimate holding company has changed to Shandong Hengyuan Petrochemical Group Company Limited, a company incorporated in China. The immediate holding company during the financial year and until the date of this report is Malaysia Hengyuan International Limited, a company incorporated in Labuan, Malaysia.

Results

	RM'000
Loss for the year	357,561

Reserves and provisions

There were no material transfers to or from reserves and provisions during the year under review other than those shown in the financial statements.

Dividends

No dividend was paid during the financial year and the Directors do not recommend any dividend to be paid for the financial year under review.

Directors of the Company

Directors who served during the financial year until the date of this report are:

Wang YouDe
Surinderdeep Singh Mohindar Singh
Tai Sook Yee
Li, XiaoXia
Peter Ho Kok Wai (appointed on 3 March 2025)
Wang, ZongQuan (retired on 28 November 2024)
Alan Hamzah Sendut (retired on 31 December 2024)

Directors' interests in shares

None of the Directors holding office at 31 December 2024 had any interest in the shares of the Company or its holding company during the financial year.

Directors' Report

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those shown below) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

The directors' benefits paid to or receivable by Directors in respect of the financial year ended 31 December 2024 are as follows:

	RM'000
Fees and allowances	1,881

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares and debentures

There were no changes in the issued and paid-up capital of the Company during the financial year. There were no debentures issued during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Indemnity and insurance costs

During the financial year, the total amount of indemnity given to and insurance effected for Directors and Officer of the Company is RM85,000. There was no indemnity given to or insurance effected for the auditors of the Company during the financial year.

Other statutory information

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that:

i) there are no bad debts to be written off and no provision need to be made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

Other statutory information (continued)

At the date of this report, the Directors are not aware of any circumstances:

i) that would render it necessary to write off any bad debts or provide for any doubtful debts, or

ii) that would render the value attributed to the current assets in the financial statements of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Company misleading.

At the date of this report, there does not exist:

i) any charge on the assets of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person; and

ii) any contingent liability in respect of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Company for the financial year ended 31 December 2024 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of the financial year and the date of this report.

Auditors

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration of the Company during the year is RM363,000.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Wang, YouDe
Director

Peter Ho Kok Wai
Director

Date: 27 March 2025

Statement of Financial Position

As at 31 December 2024

	Note	2024 RM'000	2023 RM'000
Assets			
Property, plant and equipment	3	**2,097,819**	2,196,984
Right-of-use assets	4	**9,484**	2,461
Intangible assets	5	**2,668**	4,764
Deferred tax assets	6	**105,588**	138,801
Derivative financial assets	7	**167**	-
Total non-current assets		**2,215,726**	2,343,010
Inventories	8	**399,992**	1,391,361
Trade receivables	9	**446,738**	765,330
Other receivables and prepayments	10	**12,753**	69,240
Current tax assets		**19,372**	19,372
Derivative financial assets	7	**2,034**	21,016
Cash and cash equivalents	11	**679,096**	1,028,529
Total current assets		**1,559,985**	3,294,848
Total assets		**3,775,711**	5,637,858
Equity			
Share capital	12	**300,000**	300,000
Retained earnings		**986,828**	1,344,389
Cash flow hedge reserve	12	**(161)**	(97,195)
Cost of hedging reserve	12	**(7,602)**	(15,740)
Translation reserve	12	**(128,888)**	(128,888)
Total equity attributable to owners of the Company		**1,150,177**	1,402,566
Liabilities			
Borrowings	13	**367,686**	504,515
Lease liabilities		**3,464**	159
Derivative financial liabilities	7	**2,746**	-
Total non-current liabilities		**373,896**	504,674
Borrowings	13	**1,066,055**	1,216,366
Lease liabilities		**4,557**	753
Trade and other payables	14	**1,159,894**	2,330,867
Amounts due to penultimate holding company and a related company	15	**4,098**	11,965
Derivative financial liabilities	7	**17,034**	170,667
Total current liabilities		**2,251,638**	3,730,618
Total liabilities		**2,625,534**	4,235,292
Total equity and liabilities		**3,775,711**	5,637,858

The notes on pages 100 to 138 are an integral part of these financial statements.

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2024

	Note	2024 RM'000	2023 RM'000
Revenue	16	**17,211,700**	15,399,240
Cost of sales		**(17,014,977)**	(15,543,169)
Gross profit/(loss)		**196,723**	(143,929)
Other income		**-**	9,862
Manufacturing expenses		**(172,089)**	(196,313)
Administrative expenses		**(67,455)**	(66,112)
Depreciation and amortisation		**(152,005)**	(143,906)
Other operating (losses)/gains		**(32,253)**	138,857
Results from operating activities		**(227,079)**	(401,541)
Finance income	17	**10,186**	15,456
Finance costs	18	**(140,668)**	(113,875)
Net finance costs		**(130,482)**	(98,419)
Loss before tax	19	**(357,561)**	(499,960)
Tax income	20	**-**	11,390
Loss for the year		**(357,561)**	(488,570)
Other comprehensive income/(expenses), net of tax			
Items that are or may be reclassified subsequently to profit or loss			
Cash flow hedge	21	**97,034**	531,923
Cost of hedging reserve	21	**8,138**	(14,584)
		105,172	517,339
Total comprehensive (expenses)/income for the year		**(252,389)**	28,769
Loss per ordinary share (sen) – basic/diluted	22	**(119)**	(163)

The notes on pages 100 to 138 are an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2024

	Attributable to owners of the Company					
	Non-distributable				Distributable	
	Share capital RM'000	Cash flow hedge reserve RM'000	Cost of hedging reserve RM'000	Translation reserve RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2023	300,000	(629,118)	(1,156)	(128,888)	1,832,959	1,373,797
Loss for the year	-	-	-	-	(488,570)	(488,570)
Other comprehensive income/(expenses) for the year	-	531,923	(14,584)	-	-	517,339
Total comprehensive income/(expenses) for the year	-	531,923	(14,584)	-	(488,570)	28,769
At 31 December 2023/1 January 2024	**300,000**	**(97,195)**	**(15,740)**	**(128,888)**	**1,344,389**	**1,402,566**
Loss for the year	**-**	**-**	**-**	**-**	**(357,561)**	**(357,561)**
Other comprehensive income for the year	**-**	**97,034**	**8,138**	**-**	**-**	**105,172**
Total comprehensive income/(expenses) for the year	**-**	**97,034**	**8,138**	**-**	**(357,561)**	**(252,389)**
At 31 December 2024	**300,000**	**(161)**	**(7,602)**	**(128,888)**	**986,828**	**1,150,177**
	Note 12.1	**Note 12.2**	**Note 12.3**	**Note 12.4**		

The notes on pages 100 to 138 are an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2024

	Note	2024 RM'000	2023 RM'000
Cash flows from operating activities			
Loss before tax		**(357,561)**	(499,960)
Adjustments for:			
Amortisation of intangible assets	5	**2,303**	2,605
Depreciation of property, plant and equipment	3	**147,688**	134,761
Depreciation of right-of-use assets	4	**2,014**	6,540
Finance costs		**140,668**	113,875
Finance income		**(10,186)**	(15,456)
Gain on modification of lease contracts		**-**	(15)
Inventories written back		**(65,786)**	(19,698)
Reversal of provision for obsolete inventories		**-**	(171)
Net fair value losses on derivative financial instruments - unrealised		**6,290**	54,483
Net foreign exchange losses - unrealised		**2,716**	75,918
Net impairment loss on trade receivables		**-**	169
Operating loss before changes in working capital		**(131,854)**	(146,949)
Change in inventories		**1,057,155**	130,376
Change in trade receivables, other receivables and prepayments		**375,587**	457,347
Change in trade and other payables, contract liabilities, amounts due to penultimate holding company and a related company		**(1,176,972)**	(477,205)
Cash generated from/(used in) operations		**123,916**	(36,431)
Interest received		**10,186**	15,456
Tax paid		**-**	(4,311)
Tax refunded		**-**	174
Net cash from/(used in) operating activities		**134,102**	(25,112)
Cash flows from investing activities			
Acquisition of property, plant and equipment	(i)	**(98,305)**	(244,612)
Acquisition of intangible assets	5	**(207)**	-
Net cash used in investing activities		**(98,512)**	(244,612)

Statement of Cash Flows

For the year ended 31 December 2024

	Note	2024 RM'000	2023 RM'000
Cash flows from financing activities			
(Increase)/Decrease in restricted cash for borrowing facilities		**(87)**	92,483
Proceeds from borrowings		**1,099,276**	1,562,225
Repayment of borrowings		**(1,379,300)**	(1,494,133)
Net (repayment)/proceeds from borrowings	(iii)	**(280,024)**	68,092
Interest paid		**(141,929)**	(109,328)
Payment of lease liabilities	(ii)	**(1,928)**	(7,305)
Net cash (used in)/from financing activities		**(423,968)**	43,942
Net decrease in cash and cash equivalents		**(388,378)**	(225,782)
Effect of exchange rate fluctuations		**38,858**	11,962
Cash and cash equivalents at 1 January		**1,019,788**	1,233,608
Cash and cash equivalents at 31 December		**670,268**	1,019,788

(i) Acquisition of property, plant and equipment

During the financial year, the Company acquired property, plant and equipment with an aggregate cost of RM48,523,000 (2023: RM276,525,000). Cash payments of RM98,305,000 (2023: RM244,612,000) were made for acquisition of property, plant and equipment, which include payment for unpaid balances from prior years.

(ii) Cash outflows for leases as lessee

	2024 RM'000	2023 RM'000
Included in net cash used in financing activities		
Payment of lease liabilities	**1,928**	7,305
Interest paid in relation to lease liabilities	**163**	68
Total cash outflows for leases	**2,091**	7,373

Statement of Cash Flows

For the year ended 31 December 2024

(iii) Reconciliation of movement of liabilities to cash flows arising from financing activities

	At 1 January RM'000	Net changes from financing cash flows RM'000	Additions RM'000	Lease modification RM'000	Amortisation of transaction costs RM'000	Interest accrued RM'000	Effect of exchange rate change RM'000	At 31 December RM'000
2024								
Lease liabilities	**912**	**(1,928)**	**8,934**	**103**	**-**	**-**	**-**	**8,021**
Borrowings	**1,720,881**	**(280,024)**	**-**	**-**	**389**	**(2,060)**	**(5,445)**	**1,433,741**
	1,721,793	**(281,952)**	**8,934**	**103**	**389**	**(2,060)**	**(5,445)**	**1,441,762**
2023								
Lease liabilities	8,105	(7,305)	409	(297)	-	-	-	912
Borrowings	1,608,947	68,092	-	-	3,387	747	39,708	1,720,881
	1,617,052	60,787	409	(297)	3,387	747	39,708	1,721,793

The notes on pages 100 to 138 are an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2024

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of the Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business
Batu 1, Jalan Pantai
71000 Port Dickson
Negeri Sembilan

Registered office
12th Floor, Menara Symphony
No. 5, Jalan Professor Khoo Kay Kim
Seksyen 13, Petaling Jaya
46200 Selangor

The Company is principally engaged in refining and manufacturing of petroleum products. There has been no significant change in the nature of these activities during the financial year.

The ultimate holding company during the financial year was Shandong Linyi County Petrochemical Factory, a company incorporated in China. In January 2025, the ultimate holding company has changed to Shandong Hengyuan Petrochemical Group Company Limited, a company incorporated in China. The immediate holding company during the financial year and until the date of this report is Malaysia Hengyuan International Limited, a company incorporated in Labuan, Malaysia.

The financial statements were authorised for issue by the Board of Directors on 27 March 2025.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Company have been prepared in accordance with MFRS Accounting Standards as issued by the Malaysian Accounting Standards Board ("MFRS Accounting Standards"), IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, interpretations and amendments of the MFRS Accounting Standards that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Company:

MFRS Accounting Standards, interpretations and amendments effective for annual periods beginning on or after 1 January 2025

- Amendments to MFRS 121, *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRS Accounting Standards, interpretations and amendments effective for annual periods beginning on or after 1 January 2026

- Amendments to MFRS 9, *Financial Instruments and MFRS 7, Financial Instruments: Disclosures – Classification and Measurement of Financial Instruments*
- Amendments that are part of Annual Improvements – Volume 11:
  - Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards*
  - Amendments to MFRS 7, *Financial Instruments: Disclosures*
  - Amendments to MFRS 9, *Financial Instruments*
  - Amendments to MFRS 10, *Consolidated Financial Statements*
  - Amendments to MFRS 107, *Statement of Cash Flows*
- Amendments MFRS 9, *Financial Instruments and MFRS 7, Financial Instruments: Disclosures – Contracts Referencing Nature-dependent Electricity*

MFRS Accounting Standards, interpretations and amendments effective for annual periods beginning on or after 1 January 2027

- MFRS 18, *Presentation and Disclosure in Financial Statements*
- MFRS 19, *Subsidiaries without Public Accountability: Disclosures*

MFRS Accounting Standards, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Company plans to apply the abovementioned accounting standards, interpretations and amendments, except for Amendments to MFRS 1, Amendments to MFRS 10, Amendments to MFRS 128 and Amendments to MFRS 19 which are not applicable to the Company:

- from the annual period beginning on 1 January 2025 for the amendments that are effective for annual periods beginning on or after 1 January 2025.
- from the annual period beginning on 1 January 2026 for the amendments that are effective for annual periods beginning on or after 1 January 2026.
- from the annual period beginning on 1 January 2027 for the accounting standards that are effective for annual periods beginning on or after 1 January 2027.

The initial application of the abovementioned accounting standards and amendments is not expected to have any material financial impact to the current period and prior period financial statements of the Company.

Notes to the Financial Statements

For the year ended 31 December 2024

1. Basis of preparation (continued)

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following item, which is measured based on the measurement basis stated below:

Item	Measurement basis
Derivative financial instruments	Fair value

The Company has prepared its financial statements by applying the going concern assumption, notwithstanding the Company has incurred a loss of RM357,561,000 for the year ended 31 December 2024 and, as of that date, the Company's current liabilities exceeded its current assets by RM691,653,000.

The Company's net current liabilities position is mainly contributed by short term borrowings and trade and other payables. Based on the cash flows forecast for the next twelve months from the date of approval of the financial statements, the Directors are of the view that the Company has sufficient cash for the next twelve months from the date of approval of the financial statements to meet their operation requirements as and when they fall due. The Directors have evaluated that the going concern basis of preparing the financial statements is appropriate due to the availability of credit facilities and continuous support from lenders to meet the Company's operational and financial needs.

At the date of this report, there is no reason for the Directors to believe that there is any significant uncertainty on the achievement of the above plans. Accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to amounts and classification of liabilities that may be necessary if the Company is unable to continue as a going concern.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency and has been rounded to nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 3 - measurement of the recoverability of the carrying amount of property, plant and equipment
- Note 6 - measurement of deferred tax assets
- Note 8 - measurement of net realisable value of inventories

2. Changes in material accounting policies

During the financial year, the Company adopted the following amendments of the MFRS Accounting Standards that have been issued by MASB from 1 January 2024:

MFRS Accounting Standards, interpretations and amendments effective for annual periods beginning on or after 1 January 2024

- Amendments to MFRS 16, *Leases – Lease Liability in a Sale and Leaseback*
- Amendments to MFRS 101, *Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 107, *Statement of Cash Flows and MFRS 7, Financial Instruments: Disclosures – Supplier Finance Arrangements*

The initial application of the above-mentioned amendments did not have any impact to the financial statements of the Company.

3. Property, plant and equipment

	Freehold land RM'000	Land improvements RM'000	Building RM'000	Plant, machinery, equipment and motor vehicles RM'000	Work-in-progress RM'000	Total RM'000
Cost						
At 1 January 2023	46,219	14,299	99,791	4,948,763	24,693	5,133,765
Additions	-	-	-	-	276,525	276,525
Write-offs	-	-	-	(163,604)	-	(163,604)
Reclassification	316	-	-	279,709	(280,025)	-
At 31 December 2023/ 1 January 2024	**46,535**	**14,299**	**99,791**	**5,064,868**	**21,193**	**5,246,686**
Additions	**-**	**-**	**-**	**-**	**48,523**	**48,523**
Reclassification	**-**	**-**	**-**	**39,627**	**(39,627)**	**-**
At 31 December 2024	**46,535**	**14,299**	**99,791**	**5,104,495**	**30,089**	**5,295,209**

Notes to the Financial Statements

For the year ended 31 December 2024

3. Property, plant and equipment (continued)

	Freehold land RM'000	Land improvements RM'000	Building RM'000	Plant, machinery, equipment and motor vehicles RM'000	Work-in-progress RM'000	Total RM'000
Depreciation and impairment loss						
At 1 January 2023						
Accumulated depreciation	-	13,662	69,472	2,762,742	-	2,845,876
Accumulated impairment loss	-	-	-	220,561	12,108	232,669
	-	13,662	69,472	2,983,303	12,108	3,078,545
Depreciation for the year	-	101	2,426	132,234	-	134,761
Write-offs	-	-	-	(163,604)	-	(163,604)
At 31 December 2023/ 1 January 2024						
Accumulated depreciation	**-**	**13,763**	**71,898**	**2,731,372**	**-**	**2,817,033**
Accumulated impairment loss	**-**	**-**	**-**	**220,561**	**12,108**	**232,669**
	-	**13,763**	**71,898**	**2,951,933**	**12,108**	**3,049,702**
Depreciation for the year	**-**	**85**	**1,983**	**145,620**	**-**	**147,688**
Reclassification	**-**	**-**	**-**	**10,941**	**(10,941)**	**-**
At 31 December 2024						
Accumulated depreciation	**-**	**13,848**	**73,881**	**2,876,992**	**-**	**2,964,721**
Accumulated impairment loss	**-**	**-**	**-**	**231,502**	**1,167**	**232,669**
	-	**13,848**	**73,881**	**3,108,494**	**1,167**	**3,197,390**
Carrying amounts						
At 1 January 2023	46,219	637	30,319	1,965,460	12,585	2,055,220
At 31 December 2023/ 1 January 2024	**46,535**	**536**	**27,893**	**2,112,935**	**9,085**	**2,196,984**
At 31 December 2024	**46,535**	**451**	**25,910**	**1,996,001**	**28,922**	**2,097,819**

3. Property, plant and equipment (continued)

3.1 Assets pledged as security

Property, plant and equipment with a carrying amount of RM2,097,819,000 (2023: RM2,196,984,000) as at the reporting date are pledged as security for borrowings as disclosed in Note 13.

3.2 Recoverability of the carrying amount of refinery assets

The Company reviews the carrying amount of its property, plant and equipment, intangible assets and right-of-use ("ROU") assets (collectively the refinery assets cash-generating-units ("CGU")). The Company's results from operations in any given period are principally driven by the demand for and price of petroleum products relative to the supply and cost of crude oil.

Assumptions considered in the value in use ("VIU") calculations include projected refining margins, margin uplift initiatives from crude optimisation and estimated production volume based on existing production capacity adjusted for planned turnaround activities. Refinery margins are subject to cyclical fluctuations resulting from an over-supply and supply tightness in various global and regional markets. The VIU calculations also took into account the planned capital expenditure and incremental operating costs anticipated to ensure compliance with product specification regulations. The assessment was based on management's assessment adjusted for market conditions and extrapolating the cash flows over a 20-year period.

The following key assumptions were made in determination of the recoverable amount:

(i) Refining margins per barrel: Between USD3.57 to USD5.04 (2023: USD3.81 to USD4.57)
(ii) Discount rate: 9.28% (2023: 9.84%)
(iii) Production volume: Based on existing production capacity and forecasted demand, considering the impact from climate-related risk.

Sensitivity analysis:

The key estimation uncertainty over the assumptions used by management in the VIU is the refining margins, production volume and discount rate. The sensitivity of these assumptions to the recoverable amount and impact to impairment as follows:

- 3.99% (2023: 4.02%) decrease over the 20-year period in refinery margin will result in the recoverable amount being equal to the carrying amount of the refinery assets.
- 2.54% (2023: 3.22%) increase over the 20-year period in the discount rate will result in the recoverable amount being equal to the carrying amount of the refinery assets.
- 8.99% (2023: 11.49%) decrease over the 20-year period in the production volume will result in the recoverable amount being equal to the carrying amount of the refinery assets.

The cash flows forecast is dependent on the achievability of the refinery margins, production volume and assumptions and the corresponding sensitivities as indicated above.

Notes to the Financial Statements

For the year ended 31 December 2024

3. Property, plant and equipment (continued)

3.3 Material accounting policy information

(a) Recognition and measurement

Property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognises such parts as individual assets with specific useful life. The carrying amount of any component accounted for as a separate asset is derecognised when replaced.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

(b) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

• Land improvements and buildings	10 - 40 years
• Plant, machinery and equipment	2 - 40 years
• Motor vehicles	5 years

(c) Maintenance costs

Asset replacement costs incurred for major schedule maintenance are capitalised as part of the property, plant and equipment and depreciated on a straight-line basis on the period until the next major schedule maintenance.

All other repairs and maintenance expenses are charged to profit or loss in the financial period they are incurred.

4. Right-of-use assets

	Land lease RM'000	Equipment RM'000	Tugboats RM'000	Vehicles RM'000	Total RM'000
At 1 January 2023	1,552	411	6,705	206	8,874
Additions	-	409	-	-	409
Depreciation	(20)	(95)	(6,157)	(268)	(6,540)
Lease modifications	-	(367)	-	85	(282)
At 31 December 2023/1 January 2024	**1,532**	**358**	**548**	**23**	**2,461**
Additions	**-**	**-**	**8,934**	**-**	**8,934**
Depreciation	**(19)**	**(205)**	**(1,664)**	**(126)**	**(2,014)**
Lease modifications	**-**	**-**	**-**	**103**	**103**
At 31 December 2024	**1,513**	**153**	**7,818**	**-**	**9,484**

4.1 Nature of leasing activities

The Company leases various equipment, vehicles and tugboats. Rental contracts are typically made for fixed periods of 2 to 5 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

4.2 Extension option

The lease on tugboats contains extension options exercisable by the Company up to 2 years before the end of the non-cancellable contract period. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

4.3 Security

At 31 December 2024, right-of-use assets relating to land lease are pledged to secure borrowings granted to the Company (see Note 13).

4.4 Recoverability of the carrying amount of refinery assets

The right-of-use assets are part of the Company's refinery assets CGU and the recoverability of its carrying amounts were subjected to review as disclosed in Note 3.2.

Notes to the Financial Statements

For the year ended 31 December 2024

5. Intangible assets

IT development and software	2024 RM'000	2023 RM'000
Cost		
At 1 January	**65,167**	65,167
Additions	**207**	-
At 31 December	**65,374**	65,167
Amortisation		
At 1 January	**60,403**	57,798
Amortisation for the year	**2,303**	2,605
At 31 December	**62,706**	60,403
Carrying amounts		
At 1 January	**4,764**	7,369
At 31 December	**2,668**	4,764

5.1 Material accounting policy information

(a) Recognition and measurement

Intangible assets that are acquired by the Company which have finite useful lives, are measured at cost less any accumulated amortisation.

(b) Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful lives for the current and comparative periods for intangible assets relating to IT development and software are 3 - 10 years.

5.2 Recoverability of the carrying amount of refinery assets

The intangible assets are part of the Company's refinery assets CGU and the recoverability of its carrying amounts were subjected to review as disclosed in Note 3.2.

6. Deferred tax assets

6.1 Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2024 RM'000	**2023 RM'000**	**2024 RM'000**	**2023 RM'000**	**2024 RM'000**	**2023 RM'000**
Property, plant and equipment	**-**	-	**(324,357)**	(307,501)	**(324,357)**	(307,501)
Right-of-use assets	**-**	-	**(1,913)**	(223)	**(1,913)**	(223)
Derivative financial assets	**-**	-	**(528)**	(4,224)	**(528)**	(4,224)
Unused tax losses	**151,317**	91,892	**-**	-	**151,317**	91,892
Unabsorbed capital allowances	**226,281**	172,178	**-**	-	**226,281**	172,178
Unused reinvestment allowances	**24,693**	106,241	**-**	-	**24,693**	106,241
Unrealised foreign exchange	**11,285**	11,561	**-**	-	**11,285**	11,561
Trade and other receivables	**40**	40	**-**	-	**40**	40
Inventories	**9,935**	25,724	**-**	-	**9,935**	25,724
Trade and other payables	**2,169**	1,928	**-**	-	**2,169**	1,928
Derivative financial liabilities	**4,741**	40,963	**-**	-	**4,741**	40,963
Lease liabilities	**1,925**	222	**-**	-	**1,925**	222
Tax assets/(liabilities)	**432,386**	450,749	**(326,798)**	(311,948)	**105,588**	138,801
Set-off of tax	**(326,798)**	(311,948)	**326,798**	311,948	**-**	-
Net tax assets	**105,588**	138,801	**-**	-	**105,588**	138,801

6.2 Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	2024 RM'000	**2023 RM'000**
Unused tax losses	**432,980**	400,004
Unused reinvestment allowances	**540,489**	200,706
	973,469	600,710

Notes to the Financial Statements

For the year ended 31 December 2024

6. Deferred tax assets (continued)

6.2 Unrecognised deferred tax assets (continued)

Unused tax losses and unused reinvestment allowances for which no deferred tax assets were recognised expire as follows:

	2024 RM'000	2023 RM'000
Unused tax losses		
Expiring in 2028	**31,838**	13,197
Expiring in 2033	**220,883**	386,807
Expiring in 2034	**180,259**	-
	432,980	400,004
Unused reinvestment allowances		
Expiring in 2031	**540,489**	200,706

The comparative figures have been restated to reflect the revised temporary differences of the Company based on the final tax computation for year assessment 2023.

6.3 Material accounting policy information

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

6.4 Measurement of deferred tax assets

Deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which the Company can utilise the benefit therefrom.

Assumptions on generation of future taxable profits depend on management's estimates of future profits. These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations and hence, the amount of deferred tax assets recognised in the statement of financial position.

6. Deferred tax assets (continued)

6.5 Movement in temporary differences during the year

	At 1 January 2023 RM'000	Recognised in profit or loss (Note 20) RM'000	Recognised in other comprehensive income (Note 21) RM'000	At 31 December 2023/ 1 January 2024 RM'000	Recognised in profit or loss (Note 20) RM'000	Recognised in other comprehensive income (Note 21) RM'000	At 31 December 2024 RM'000
Property, plant and equipment	(264,516)	(42,985)	-	**(307,501)**	**(16,856)**	**-**	**(324,357)**
Right-of-use assets	(1,758)	1,535	-	**(223)**	**(1,690)**	**-**	**(1,913)**
Derivative financial assets	(28,074)	23,378	472	**(4,224)**	**4,178**	**(482)**	**(528)**
Unused tax losses	68,839	23,053	-	**91,892**	**59,425**	**-**	**151,317**
Unabsorbed capital allowance	110,403	61,775	-	**172,178**	**54,103**	**-**	**226,281**
Unused reinvestment allowances	170,065	(63,824)	-	**106,241**	**(81,548)**	**-**	**24,693**
Unrealised foreign exchange	(13,827)	25,388	-	**11,561**	**(276)**	**-**	**11,285**
Trade and other receivables	-	40	-	**40**	**-**	**-**	**40**
Inventories	30,492	(4,768)	-	**25,724**	**(15,789)**	**-**	**9,935**
Trade and other payables	2,940	(1,012)	-	**1,928**	**241**	**-**	**2,169**
Derivative financial liabilities	214,285	(9,480)	(163,842)	**40,963**	**(3,491)**	**(32,731)**	**4,741**
Lease liabilities	1,945	(1,723)	-	**222**	**1,703**	**-**	**1,925**
	290,794	11,377	(163,370)	**138,801**	**-**	**(33,213)**	**105,588**

Notes to the Financial Statements

For the year ended 31 December 2024

7. Derivative financial assets/(liabilities)

	2024			2023		
	Nominal value USD'000	Assets RM'000	Liabilities RM'000	Nominal value USD'000	Assets RM'000	Liabilities RM'000
Derivatives used for hedging						
- Refining margin swap contracts	**64,918**	**2,010**	**13,512**	50,965	-	149,887
Derivatives at fair value through profit or loss						
- Refining margin swap contracts	**1,580**	**191**	**-**	4,752	5,913	-
- Forward foreign exchange contracts	**-**	**-**	**-**	193,000	-	10,068
- Commodity swap contracts	**73,240**	**-**	**6,268**	248,500	11,679	10,712
- Forward priced commodity contracts	**-**	**-**	**-**	23,875	3,424	-
	139,738	**2,201**	**19,780**	521,092	21,016	170,667
Represented by						
- Current	**119,173**	**2,034**	**17,034**	521,092	21,016	170,667
- Non-current	**20,565**	**167**	**2,746**	-	-	-
	139,738	**2,201**	**19,780**	521,092	21,016	170,667

Derivatives used for hedging

Refining margin swap contracts

The Company purchases crude on an ongoing basis as the Company requires continuous supply of crude to produce petroleum products. As a result of the volatility in crude price, the Company held certain refining margin swaps designated as hedge of highly probable forecast crude purchases or firm commitments and sales of petroleum products to reduce the volatility of cash flows.

The contracts are intended to hedge the volatility of the refining margin (differences between purchase price of crude oil and sales price of petroleum products) for a period between 1 to 18 months (2023: 1 to 9 months). There were no forecast transactions for which hedge accounting had previously been used, but is no longer expected to occur.

The cash flow hedges of the highly probable forecast crude purchases or firm purchase commitments and sales of petroleum products were assessed to be effective. The net unrealised loss of RM11,502,000 (2023: unrealised loss of RM149,887,000), with a related deferred tax asset of RM2,760,000 (2023: deferred tax asset of RM35,973,000) was included in other comprehensive income in respect of these contracts for the financial year.

7. Derivative financial assets/(liabilities) (continued)

Derivatives used for hedging (continued)

Refining margin swap contracts (continued)

The effects of the refining margin swap contracts on the Company's financial position and performance are as follows:

	2024	2023
Carrying amount, net (RM'000)	**(11,502)**	(149,887)
Nominal value (USD'000)	**64,918**	50,965
Maturity date	**January 2025 to June 2026**	January 2024 to September 2024
Hedge ratio (%)	**100**	100
Gross margin per barrel (USD)	**9.00 to 17.00**	9.50 to 16.30

Derivatives at fair value through profit or loss

(a) Forward foreign exchange contracts

The Company enters into forward foreign currency contracts to protect the Company from movements in exchange rates by establishing the rate at which foreign currency asset or liability will be settled. Forward currency contracts are mainly used to hedge cash receipts and cash payments denominated in currency other than the functional currency of the Company.

(b) Forward priced commodity contracts

The Company entered into crude purchase contracts with variability in the payables. The delivery and control of the crude is transferred at delivery date. The Company recognised the purchase of the crude as inventory on delivery date based on the forward price of the crude. The variability in the payable associated with the crude price gives rise to an embedded derivative which is not closely related to the purchase contract. The embedded derivative is separated from the payables relating to the purchase of inventory. The Company has elected to adjust and reflect subsequent changes in the fair value of the embedded derivative as part of the cost of inventory.

(c) Commodity options, commodity swap contracts and refining margin swap contracts

The Company also uses commodity options, commodity swap contracts and certain refining margin swap contracts that are not hedges of highly probable forecast crude purchases or firm commitments and sales of petroleum products to manage its commodity price risk and inventory holding cost. The Company does not designate these derivatives as hedging instruments and these are accounted for as derivatives at fair value through profit or loss.

8. Inventories

	Note	2024 RM'000	2023 RM'000
Crude oil		**119,223**	688,602
Petroleum products		**286,907**	773,757
Inventories written down		**(39,440)**	(105,226)
		366,690	1,357,133
Materials		**35,257**	36,183
Provision for obsolete inventories		**(1,955)**	(1,955)
		33,302	34,228
		399,992	1,391,361
Carrying amount of inventories:			
- pledged as security for unpaid crude oil purchases		**366,690**	1,324,121
- Inventories in transit		**-**	33,012
Recognised in profit or loss:			
Inventories recognised as cost of sales		**16,826,600**	14,478,851
Inventories written back (included in cost of sales)	8.1	**(65,786)**	(19,698)
Reversal of provision obsolete inventories (included in administrative expenses)		**-**	(171)

8.1 Write-down of inventories to net realisable value

Volatility from both supply and demand side in various global and regional markets have affected the estimated net realisable value of crude oil and petroleum products ("hydrocarbon inventories"). The estimated selling prices fluctuate due to changes in the customers' demand for petroleum. The Company estimates the net realisable value based on the most reliable evidence at the time the estimate is made. The Company also considers the effect of events occurring after the end of the financial year to the extent that such events confirmed that the conditions existed at the end of the financial year in determining the net realisable value of the hydrocarbon inventories. These estimates require judgements given the uncertainties in the future selling prices and selling costs of the inventories.

Following a change in estimation of net realisable value, RM65,786,000 (2023: RM19,698,000) of the inventories written down in prior year was reversed.

8.2 Material accounting policy information

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is calculated using the first-in, first-out method.

9. Trade receivables

	2024 RM'000	2023 RM'000
Trade receivables	**446,907**	765,499
Less: Impairment loss allowance	**(169)**	(169)
	446,738	765,330

Trade receivables are subject to credit term ranging between 15 to 30 days (2023: 15 to 30 days).

9.1 Transfer of trade receivables

The Company has entered into non-recourse factoring arrangement in respect of its trade receivables. Under this arrangement, the Company has the right to transfer the relevant receivables to the financial institutions in exchange for cash upon submission of such request to the financial institutions when there is a need. Trade receivables are derecognised when the trade receivables are transferred to the financial institution through the factoring arrangement. In the event of default by the trade receivables, the financial institution has no recourse to the Company.

9.2 Security

Up to USD50,000,000 (2023: USD50,000,000) of trade receivables as at the reporting date are pledged in favour of a vendor to secure against unpaid crude oil purchases.

10. Other receivables and prepayments

	2024 RM'000	2023 RM'000
Other receivables and deposits	**6,984**	64,789
Prepayments	**5,769**	4,451
	12,753	69,240

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11. Cash and cash equivalents

	2024 RM'000	2023 RM'000
Bank balances	**674,619**	1,023,931
Short-term deposits	**4,477**	4,598
Cash and cash equivalents in the statement of financial position	**679,096**	1,028,529
Less: Restricted cash	**(8,828)**	(8,741)
Cash and cash equivalents in the statement of cash flows	**670,268**	1,019,788

Restricted cash comprised amounts held in a debt service account associated with the medium-term notes and multi-currency revolving credit facilities.

12. Share capital and other reserves

	Amount 2024 RM'000	Number of shares 2024 '000	Amount 2023 RM'000	Number of shares 2023 '000
Issued and fully paid shares with no par value classified as equity instruments:				
Ordinary shares				
At 1 January/31 December	**300,000**	**300,000**	300,000	300,000

12.1 Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company and rank *pari-passu* with regard to the Company's residual assets.

12.2 Cash flow hedge

The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedges related to hedged transactions that have not yet occurred. It is initially recognised in other comprehensive income and reclassified to profit or loss when the associated hedge transaction affects profit or loss.

12.3 Cost of hedging reserve

The cost of hedging reserve reflects gain or loss on the portion excluded from the designated hedging instrument that relates to the forward element of forward contracts. It is initially recognised in other comprehensive income and reclassified to profit or loss in the same period when the corresponding cash flow hedge affects profit or loss.

12.4 Translation reserve

The translation reserve represents the exchange differences arising from the translation of the financial statements of the Company whose functional currency was different from presentation currency arising from prior years.

13. Borrowings

	2024 RM'000	2023 RM'000
Non-current		
Medium term notes	**367,686**	504,515
Current		
Medium term notes	**136,288**	100,139
Revolving credits	**929,767**	958,617
Trust receipts	**-**	157,610
	1,066,055	1,216,366
	1,433,741	1,720,881

Details of the facilities are set out below:

Unrated medium term notes programme

- An unrated medium term notes programme of up to RM5,000,000,000 in nominal value ("MTN Programme"), which will be issued in tranches over a tenure of 30 years via bought deal or private placement.
- The first issuance of MTN ("MTN Tranche 1") under the MTN Programme amounting to RM680,000,000 is repayable in instalments over a 5-year period. As at reporting date the outstanding principal amount under the MTN Programme is RM500,000,000 (2023: RM600,000,000).
- MTN Tranche 1 is subject to interest at KLIBOR + 1.35% (2023: KLIBOR + 1.35%) per annum.

Multi-currency revolving credit facilities

- Multi-currency revolving credit ("RC") facilities are short term with a tenure of up to 12 months in which the RC facilities may be renewed for the same period following an annual review.
- RC facilities are subject to interest at USD Costs of Funds + 1.50% (2023: USD Costs of Funds + 1.50%) per annum for USD RC facility and KLIBOR + ranging between 1.35% to 1.50% (2023: KLIBOR +1.35%) per annum for MYR RC facility.

The above borrowing facilities contain debt covenants that requires the Company to maintain both a net gearing ratio of not more than 1.0 time and a minimum debt service coverage ratio of not lower than 1.2 time. The covenant is tested annually based on financial position as at 31 December. These borrowings will become repayable on demand if the threshold of either covenant ratio is not met at any testing date.

Security

The borrowings are secured over property, plant and equipment (see Note 3) and right-of-use assets relating to land lease (see Note 4).

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For the year ended 31 December 2024

14. Trade and other payables

	2024 RM'000	2023 RM'000
Trade payables	**1,058,717**	2,101,212
Other payables	**14,587**	64,801
Sundry accruals	**73,314**	105,641
Accruals for consumables and services	**4,058**	1,770
Accruals for capital expenditure	**9,218**	57,443
	1,159,894	2,330,867

The Company's trade payables amounting to RM442,986,000 (2023: RM1,039,219,000) are secured by a charge against the Company's inventories and receivables as disclosed in Note 8 and Note 9. The credit terms for trade payables range from 30 days to 180 days (2023: 30 to 120 days).

Included in other payables are statutory liabilities and prepaid income amounting to RM7,587,000 (2023: RM6,488,000).

15. Amounts due to penultimate holding company and a related company

	2024 RM'000	2023 RM'000
Amount due to penultimate holding company	**-**	2,052
Amount due to a related company	**4,098**	9,913
	4,098	11,965

The penultimate holding company is Shandong Hengyuan Petrochemical Company Limited, a company incorporated in China. Amounts due to penultimate holding company and a related company are non-trade in nature, unsecured, interest free and subject to credit term of 30 days (2023: 30 days). Included in amount due to penultimate holding company and a related company is accruals for capital expenditure of RM495,000 (2023: RM2,052,000).

16. Revenue

	2024 RM'000	2023 RM'000
Sale of oil products:		
- refined	**17,209,361**	15,396,345
- crude oil	**2,339**	2,895
	17,211,700	15,399,240

The sale of oil products is recognised at point in time upon transfer of control of oil products to customers. This is when oil products are delivered to the customers, the customers have full discretion over the channel and price to sell the products and there is no unfulfilled obligation that could affect the customers' acceptance of the oil products. Delivery occurs when the products have been shipped to the specific location, the risk of loss has been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract or the Company has objective evidence that all criteria for acceptance have been satisfied.

No element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice.

There is no variable element of in consideration, obligations for returns or refunds or warranty applicable to the sales transaction of the Company.

The Company applies the following practical expedients:

- exemption on disclosure of information on remaining performance obligations that have original expected durations of one year or less.
- exemption not to adjust the promised amount of consideration for the effects of a significant financing component when the period between the transfer of a promised good or service to a customer and when the customer pays for that good or service is one year or less.

17. Finance income

	2024 RM'000	2023 RM'000
Recognised in profit or loss		
Interest income of financial assets calculated using the effective interest method that are at amortised cost	**10,186**	15,456

Notes to the Financial Statements

For the year ended 31 December 2024

18. Finance costs

	2024 RM'000	2023 RM'000
Recognised in profit or loss		
Interest expense of financial liabilities that are not at fair value through profit or loss:		
- borrowings	**114,662**	92,775
- amortisation of prepaid fees for borrowings	**410**	413
- amortisation of upfront and commitment fees for borrowings	**389**	3,387
- factoring agreement	**25,044**	17,232
	140,505	113,807
Interest expense on lease liabilities	**163**	68
	140,668	113,875

19. Loss before tax

	2024 RM'000	2023 RM'000
Loss before tax is arrived at after charging/(crediting):		
Auditors' remuneration		
Audit fees		
- KPMG PLT	**363**	-
- Other auditors	**-**	391
Non-audit fees		
- KPMG PLT	**20**	-
- Local affiliates of KPMG PLT	**173**	-
- Other auditors	**-**	101

19. Loss before tax (continued)

	2024 RM'000	2023 RM'000
Loss before tax is arrived at after charging/(crediting):		
Material expenses/(income)		
Staff cost:		
- salaries, bonus and allowances	**66,119**	68,418
- defined contribution plan	**10,370**	10,231
- other employee benefits	**5,211**	6,375
Foreign exchange (gains)/losses:		
- realised	**(7,830)**	(10,333)
- unrealised	**2,716**	75,918
Net fair value losses/(gains) on derivative financial instruments:		
- included in cost of sales	**(25,525)**	711,882
- included in other operating losses/gains	**37,367**	(204,442)
Depreciation of property, plant and equipment	**147,688**	134,761
Depreciation of right-of-use assets	**2,014**	6,540
Amortisation of intangible assets	**2,303**	2,605
Impairment of receivables	**-**	169

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20. Tax income

Recognised in profit or loss

	2024 RM'000	2023 RM'000
Current tax expense/(income)		
Over provision in prior year	-	(13)
Deferred tax assets		
Origination of temporary differences	259	4,015
Over provision in prior year	(259)	(15,392)
Deferred tax assets recognised in profit or loss (Note 6)	-	(11,377)
	-	(11,390)
Reconciliation of tax income		
Loss before tax	(357,561)	(499,960)
Income tax calculated using Malaysian tax rate of 24%	(85,814)	(119,990)
Non-deductible expenses	1,637	5,457
Income not subjected to tax	(5,026)	(13,130)
Deferred tax assets not recognised	89,462	131,678
Over provision in prior year	(259)	(15,405)
	-	(11,390)

21. Other comprehensive income

2024	Before tax RM'000	Tax (expense)/ benefit RM'000 (Note 6)	Net of tax RM'000
Items that are or may be reclassified subsequently to profit or loss			
Cash flow hedge			
- Net change in fair value	**151,226**	**(36,294)**	**114,932**
- Net amount reclassified to profit or loss - cost of sales	**(23,550)**	**5,652**	**(17,898)**
	127,676	**(30,642)**	**97,034**
Cost of hedging reserve			
- Net change in fair value	**12,684**	**(3,045)**	**9,639**
- Net amount reclassified to profit or loss - cost of sales	**(1,975)**	**474**	**(1,501)**
	10,709	**(2,571)**	**8,138**
	138,385	**(33,213)**	**105,172**
2023			
Items that are or may be reclassified subsequently to profit or loss			
Cash flow hedge			
- Net change in fair value	(32,052)	7,693	(24,359)
- Net amount reclassified to profit or loss - cost of sales	731,950	(175,668)	556,282
	699,898	(167,975)	531,923
Cost of hedging reserve			
- Net change in fair value	879	(211)	668
- Net amount reclassified to profit or loss - cost of sales	(20,068)	4,816	(15,252)
	(19,189)	4,605	(14,584)
	680,709	(163,370)	517,339

Notes to the Financial Statements

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22. Loss per ordinary share

The calculation of basic loss per ordinary share was based on the loss attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding. There are no potentially diluted items identified in the current and previous financial year, hence diluted loss per ordinary share equals to basic loss per ordinary share.

	2024 RM'000	2023 RM'000
Loss for the financial year	**(357,561)**	(488,570)

	2024 '000	2023 '000
Weighted average number of ordinary shares at 31 December	**300,000**	300,000

	2024 Sen	2023 Sen
Loss per ordinary share – basic/diluted	**(119)**	(163)

23. Operating segments

The Company is principally engaged in the business of refining and manufacturing of petroleum products in Malaysia, which is a single business segment. The Company's primary operations are also concentrated within Malaysia, hence operating within a single geographical segment. Accordingly, no segmental information is considered necessary for analysis by business or by geographical segments.

This is consistent with the internal management reports reviewed by the Board of Directors (chief operating decision maker of the Company) where performance of the Company is measured based on refining margins and profit before tax recognised as a single business and geographical segment.

In 2024, one (2023: one) customer, contributed to approximately 85% (2023: 82%) of total revenue for the financial year, amounting to RM14,668,045,000 (2023: RM12,619,189,000).

24. Financial instruments

24.1 Categories of financial instruments

The table below provides an analysis of financial instruments as at year end by categorised as follows:

(a) Amortised cost ("AC")
(b) Fair value through profit or loss ("FVTPL")
(c) Derivatives used for hedging ("DUH")

	Carrying amount RM'000	AC RM'000	FVTPL RM'000	DUH RM'000
2024				
Financial assets				
Trade receivables	**446,738**	**446,738**	**-**	**-**
Other receivables excluding prepayment	**6,984**	**6,984**	**-**	**-**
Bank balances	**679,096**	**679,096**	**-**	**-**
Derivative financial assets	**2,201**	**-**	**191**	**2,010**
	1,135,019	**1,132,818**	**191**	**2,010**
Financial liabilities				
Trade and other payables excluding statutory liabilities	**1,152,307**	**1,152,307**	**-**	**-**
Amounts due to penultimate holding company and a related company	**4,098**	**4,098**	**-**	**-**
Borrowings	**1,433,741**	**1,433,741**	**-**	**-**
Derivative financial liabilities	**19,780**	**-**	**6,268**	**13,512**
	2,609,926	**2,590,146**	**6,268**	**13,512**
2023				
Financial assets				
Trade receivables	765,330	765,330	-	-
Other receivables excluding prepayment	64,789	64,789	-	-
Bank balances	1,028,529	1,028,529	-	-
Derivative financial assets	21,016	-	21,016	-
	1,879,664	1,858,648	21,016	-
Financial liabilities				
Trade and other payables excluding statutory liabilities and prepaid income	2,324,379	2,324,379	-	-
Amounts due to penultimate holding company and a related company	11,965	11,965	-	-
Borrowings	1,720,881	1,720,881	-	-
Derivative financial liabilities	170,667	-	20,780	149,887
	4,227,892	4,057,225	20,780	149,887

Notes to the Financial Statements

For the year ended 31 December 2024

24. Financial instruments (continued)

24.2 Net gains and losses arising from financial instruments

	2024 RM'000	2023 RM'000
Net (losses)/gains on:		
Financial assets at AC	**21,543**	66,418
Financial liabilities at AC	**(120,344)**	(215,513)
Financial assets and liabilities at FVTPL	**(38,727)**	206,664
Losses from derecognition of financial asset at AC arising from non-recourse factoring	**(25,044)**	(17,232)
	(162,572)	40,337

The nature of the above gains and losses arising from financial instruments are as follows:

(a) Financial assets at AC - Interest income, foreign exchange gains and losses and impairment
(b) Financial liabilities at AC - Interest expense and foreign exchange gains and losses
(c) Financial assets and liabilities at FVTPL - Fair value gains/losses on derivative financial instruments

24.3 Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

24. Financial instruments (continued)

24.4 Credit risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk arises principally from its trade receivables from customers, short-term deposits and bank balances. There are no significant changes as compared to prior periods.

Trade receivables

Risk management objectives, policies and processes for managing the risk

Credit risk on customers arises when sales are made on credit terms. The Company seeks to control credit risk by setting counterparty limits and establishing controls to check that sales of products are made only to approved customers with an appropriate credit history. It is the Company's policy to monitor the financial standing of the customers on an ongoing basis so that the Company is exposed to a minimal credit risk.

There are no significant changes as compared to previous year.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from customers are represented by the carrying amounts in the statement of financial position.

78% (2023: 62%) of the Company's total receivables at the reporting date are due from two (2023: two) major customers in the oil and gas industry in Malaysia. The Directors are of the view that such credit risk exposure is minimal in view of the strength of the customers' financial position and no history of default from these major customers.

For some trade receivables, the Company may obtain security in the form of guarantees, deeds of underwriting of letters of credit which can be called upon if the counterparty is in default under the terms of the agreement. As at year end, trade receivables amounting to RM22,819,000 (2023: RM23,066,000) were secured by bank guarantees.

Recognition and measurement of impairment losses

The Company adopts the simplified approach whereby an impairment analysis is performed at each reporting date to measure expected credit losses ("ECL"). The loss rates are based on days past due and coverage by letters of credit and historical credit losses of the customers. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events and current conditions. The Company has considered expected oil price and geographical area which the debtor operates in and concluded that the effect on expected changes in these factors do not significantly affect the historical credit loss rates. Generally, loss allowance are recognised in full in respect of trade receivables that are past due for more than one year unless it is covered by letters of credits. These letters of credit are considered integral part of trade receivables and considered in the calculation of impairment.

Notes to the Financial Statements

For the year ended 31 December 2024

24. Financial instruments (continued)

24.4 Credit risk (continued)

Trade receivables (continued)

Recognition and measurement of impairment losses (continued)

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets which are grouped together as they are expected to have similar risk nature.

	Gross carrying amount RM'000	Loss allowances RM'000	Net balance RM'000
2024			
Current (not past due)	**363,495**	**-**	**363,495**
1 to 30 days past due	**81,867**	**-**	**81,867**
31 to 180 days past due	**1,376**	**-**	**1,376**
More than 180 days past due	**169**	**(169)**	**-**
	446,907	**(169)**	**446,738**
2023			
Current (not past due)	705,220	-	705,220
1 to 30 days past due	59,592	-	59,592
31 to 180 days past due	518	-	518
More than 180 days past due	169	(169)	-
	765,499	(169)	765,330

The movements in the allowance for impairment in respect of trade receivables during the year are shown below.

	Credit impaired RM'000	Total RM'000
At 1 January 2023	-	-
Amounts written off	-	-
Impairment loss recognised	169	169
At 31 December 2023/1 January 2024/31 December 2024	**169**	**169**

24. Financial instruments (continued)

24.4 Credit risk (continued)

Cash and cash equivalents and derivative financial assets

Bank balance, deposits and forward foreign exchange contracts entered into are placed only with financial institutions with strong long-term credit ratings based on independent rating agencies. The likelihood of non-performance by these financial institutions is remote based on their high credit ratings.

For other derivative financial assets such as refining margin swaps, commodity swaps, commodity options and forward priced commodity contracts, these are also entered into with counterparties with strong long-term credit ratings based on independent agencies. In addition, the Company may obtain security which can be called upon if the counterparty is in default under terms of agreement.

At the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position. The Company is of the view that the loss allowance is not material and hence, it is not provided for.

24.5 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's exposure to liquidity risk arises principally from its payables and borrowings.

The Company maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

As at 31 December 2024, the Company has a net current liabilities position of RM691,653,000. The Company's net current liabilities position is mainly contributed by short term borrowings and trade and other payables. Based on the cash flows forecast for the next twelve months from the date of approval of the financial statements, the Directors are of the view that the Company has sufficient cash for the next twelve months from the date of approval of the financial statements to meet their operation requirements as and when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Notes to the Financial Statements

For the year ended 31 December 2024

24. Financial instruments (continued)

24.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual interest rate/ discount rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000
2024						
Non-derivative financial liabilities						
Trade and other payables	1,152,307	-	1,152,307	1,152,307	-	-
Lease liabilities	8,021	4.5 - 5.5	8,428	4,884	3,544	-
Amounts due to penultimate holding company and a related company	4,098	-	4,098	4,098	-	-
Borrowings	1,433,741	4.91 - 6.25	1,482,733	1,090,766	190,309	201,658
	2,598,167		2,647,566	2,252,055	193,853	201,658
Derivative financial liabilities						
Refining margin swap contracts	13,512	-	13,512	10,766	2,746	-
Commodity swap contracts	6,268	-	6,268	6,268	-	-
	19,780		19,780	17,034	2,746	-
	2,617,947		2,667,346	2,269,089	196,599	201,658

24. Financial instruments (continued)

24.5 Liquidity risk (continued)

Maturity analysis (continued)

	Carrying amount RM'000	Contractual interest rate/ discount rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000
2023						
Non-derivative financial liabilities						
Trade and other payables	2,324,379	-	2,324,379	2,324,379	-	-
Lease liabilities	912	4.5 - 5.27	930	768	162	-
Amounts due to penultimate holding company and a related company	11,965	-	11,965	11,965	-	-
Borrowings	1,720,881	4.72 - 7.25	1,797,657	1,245,491	160,700	391,466
	4,058,137		4,134,931	3,582,603	160,862	391,466
Derivative financial liabilities	-					
Refining margin swap contracts	149,887	-	149,887	149,887	-	-
Commodity swap contracts	10,712	-	10,712	10,712	-	-
Forward foreign exchange contracts	10,068	-	10,068	10,068	-	-
	170,667		170,667	170,667	-	-
	4,228,804		4,305,598	3,753,270	160,862	391,466

Notes to the Financial Statements

For the year ended 31 December 2024

24. Financial instruments (continued)

24.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Company's financial position or cash flows.

24.6.1 Currency risk

The Company is exposed to foreign currency risk on sales, bank balances, purchases, borrowings and derivative financial instruments that are denominated in a currency other than Ringgit Malaysia. The currency giving rise to this risk is primarily US Dollar ("USD").

Risk management objectives, policies and processes for managing the risk

The objective of the Company's currency risk management policies is to allow the Company to effectively manage exposures that may arise from operating and financing activities.

The Company may enter into forward foreign exchange contracts to limit its exposure on foreign currency receivables and payables and on cash flows generated from anticipated transactions denominated in foreign currencies. The forward foreign exchange contracts are subject to the same risk management policies as all other derivative contracts. They are accounted for as FVTPL with gains or losses recognised in profit or loss.

Exposure to foreign currency risk

The Company's significant exposure to foreign currency (a currency which is other than the functional currency of the Company) risk, based on carrying amounts as at the end of the reporting period are as follows:

	2024 RM'000	2023 RM'000
Balances recognised in the statement of financial position denominated in USD		
Trade and other receivables	**72,924**	481,215
Borrowings	**(385,089)**	(708,520)
Trade and other payables	**(1,005,554)**	(1,860,388)
Cash and cash equivalents	**16,257**	444,478
Derivative financial assets/(liabilities)(net)	**(17,579)**	(139,583)
	(1,319,041)	(1,782,798)
Notional contract value on forward foreign exchange contracts committed at the end of the reporting period	**-**	887,414
Total exposure	**(1,319,041)**	(895,384)

24. Financial instruments (continued)

24.6 Market risk (continued)

24.6.1 Currency risk (continued)

Currency risk sensitivity analysis

The following analysis illustrates the Company's sensitivity to changes in USD to RM exchange rate:

	Profit or loss	
	2024 RM'000	**2023 RM'000**
USD strengthens by 10%	**(100,247)**	(68,049)
USD weakens by 10%	**100,247**	68,049

The analysis is based on the foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted transactions.

24.6.2 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Risk management objectives, policies and processes for managing the risk

The Company finances its operations through a mixture of retained earnings and bank borrowings. The Company's interest rate risk arises from borrowings at variable rates and deposits with licensed banks and are managed in compliance with the treasury policy of the Company.

The Company has an approved policy to hedge interest rate risk as part of the Company's risk management policy.

Generally, the Company may enter into long-term borrowings at floating rates and swaps them into fixed rates, if the need arises. The Company's borrowings at variable rate are denominated in both USD and MYR.

Surplus funds are placed with licensed financial institutions to earn interest income based on prevailing market rates. The Company manages its interest rate risks by placing such funds on short tenures of 12 months or less.

Notes to the Financial Statements

For the year ended 31 December 2024

24. Financial instruments (continued)

24.6 Market risk (continued)

24.6.2 Interest rate risk (continued)

Exposure to interest rate risk

The interest rate profile of the significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	2024 RM'000	2023 RM'000
Floating rate instruments		
Financial assets	**4,477**	4,598
Financial liabilities	**(1,433,741)**	(1,720,881)
	(1,429,264)	(1,716,283)

Interest rate risk sensitivity analysis

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss	
	2024 RM'000	2023 RM'000
Floating rate instruments		
100 basis points increase in interest rate	**(10,862)**	(13,044)
100 basis points decrease in interest rate	**10,862**	13,044

24.6.3 Commodity price risk and refining margin risk

The Company is exposed to fluctuations in crude oil and petroleum product prices which may affect the value of the Company's assets, liabilities or expected future cash flows.

The Company has an approved policy to hedge refining margin as part of the Company's risk management policy. Refining margins are hedged based on the Company's physical exposures to prices of crude oil and its 3 main products namely mogas, gasoil and jet fuel. Competitive quotes are obtained from counterparties and compared to published prices as a basis for entering into a hedge. The purpose of executing these hedges is to stabilise refining margins exposure towards achieving a sustainable profit over the short and medium term.

24. Financial instruments (continued)

24.6 Market risk (continued)

24.6.3 Commodity price risk and refining margin risk (continued)

In addition to hedging its refining margins, the Company also uses commodity swaps and options to manage some of its transaction exposures. These commodity swaps and options are not designated as cash flow hedges and are subject to the same risk management policies as all other derivative contracts. They are accounted for as FVTPL with gains or losses recognised in profit or loss.

The following table shows the effect of market price changes on the fair value of the Company's commodity swaps:

	Profit or loss	
	2024 RM'000	**2023 RM'000**
10% increase in commodity price	**(25,396)**	(54,014)
10% decrease in commodity price	**25,396**	54,014

The following table shows the effect of price changes on the fair value of the Company's refining margin swaps:

	Equity		Profit or loss	
	2024 RM'000	**2023 RM'000**	**2024 RM'000**	**2023 RM'000**
10% increase in refining margin	**(22,962)**	(29,201)	**552**	2,110
10% decrease in refining margin	**22,962**	29,201	**(552)**	(2,110)

24.7 Fair value information

The carrying amounts of cash and cash equivalents, short-term receivables and payables and short-term borrowings reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

The carrying amounts of non-current borrowings reasonably approximate their fair values because they bear floating interest rates that are based on market rate of borrowings.

Notes to the Financial Statements

For the year ended 31 December 2024

24. Financial instruments (continued)

24.7 Fair value information (continued)

The tables below analyse other financial instruments at fair value.

	Fair value of financial instruments carried at fair value				Carrying amount
2024	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	**RM'000**
Financial assets					
Refining margin swap contracts	**-**	**2,201**	**-**	**2,201**	**2,201**
Financial liabilities					
Refining margin swap contracts	**-**	**(13,512)**	**-**	**(13,512)**	**(13,512)**
Commodity swap contracts	**-**	**(6,268)**	**-**	**(6,268)**	**(6,268)**
	-	**(19,780)**	**-**	**(19,780)**	**(19,780)**
2023					
Financial assets					
Refining margin swap contracts	-	5,913	-	5,913	5,913
Commodity swap contracts	-	11,679	-	11,679	11,679
Forward priced commodity contracts	-	3,424	-	3,424	3,424
	-	21,016	-	21,016	21,016
Financial liabilities					
Refining margin swap contracts	-	(149,887)	-	(149,887)	(149,887)
Commodity swap contracts	-	(10,712)	-	(10,712)	(10,712)
Forward foreign exchange contracts	-	(10,068)	-	(10,068)	(10,068)
	-	(170,667)	-	(170,667)	(170,667)

24. Financial instruments (continued)

24.7 Fair value information (continued)

Level 2 fair value

Derivatives

Refining margin swap contracts, forward foreign exchange contracts, forward priced commodity contracts and commodity swap contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing model, using present value calculations. The models incorporate various inputs including the credit quality of counterparties and foreign exchange spot and forward rates.

25. Capital management

There was no change in the Company's approach to capital management during the financial year.

For the purpose of the Company's capital management, capital includes share capital and all other equity reserves attributable to the equity holders of the Company.

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern;
- to maximise returns for shareholders; and
- to maintain an optimal capital structure which minimises the cost of capital while maintaining sufficient liquidity.

The Company monitors capital on the basis of net gearing ratio. This ratio is calculated as net borrowings divided by total equity. The capital structure of the Company consists of total equity.

	Note	2024 RM'000	2023 RM'000
Total borrowings	13	**1,433,741**	1,720,881
Less: Cash and cash equivalents in the statement of financial position	11	**(679,096)**	(1,028,529)
Total borrowings, net		**754,645**	692,352
Total equity		**1,150,177**	1,402,566
Debt-to-equity ratios		**66%**	49%

The borrowings of the Company are subject to the banks' covenants, which include debt service coverage ratio and net gearing ratio, which the Company has complied with.

Notes to the Financial Statements

For the year ended 31 December 2024

26. Capital commitments

	2024 RM'000	2023 RM'000
Property, plant and equipment		
Approved and contracted for	**27,523**	52,842

27. Related parties

Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. The significant related party transactions of the Company are shown below. The balances related to the below transactions are shown in Note 15.

		2024 RM'000	2023 RM'000
A.	**Immediate holding company**		
	Expenses		
	- Central management and administrative charges	**-**	(504)
B.	**Related company**		
	Expenses		
	- Central management and administrative charges	**(9,194)**	(10,553)
	- Technical advisory charges	**(10,798)**	(20,109)
	- Rental of premises	**(539)**	(457)
C.	**Key management personnel**		
	Directors		
	- Fees and allowances	**1,881**	1,922
	Other key management personnel		
	- Salaries, bonus and allowances	**4,723**	5,162
	- Defined contribution plan	**171**	314
	- Benefits in kind	**-**	2
		4,894	5,478

Other key management personnel comprise persons other than Directors of the Company, having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly.

Statement by Directors

Pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 94 to 138 are drawn up in accordance with MFRS Accounting Standards as issued by the Malaysian Accounting Standards Board, IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2024 and of its financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Wang, YouDe
Director

Peter Ho Kok Wai
Director

Date: 27 March 2025

Statutory Declaration

Pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Yeo Bee Hwan**, the officer primarily responsible for the financial management of Hengyuan Refining Company Berhad, do solemnly and sincerely declare that the financial statements set out on pages 94 to 138 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act,1960.

Subscribed and solemnly declared by the abovenamed Yeo Bee Hwan, MIA CA 13236, at Kuala Lumpur in the Federal Territory on 27 March 2025.

Yeo Bee Hwan

Before me:

Independent Auditors' Report

To the members of Hengyuan Refining Company Berhad
(Registration No. 196001000259 (3926-U))
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Hengyuan Refining Company Berhad, which comprise the statement of financial position as at 31 December 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 94 to 138.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with MFRS Accounting Standards as issued by the Malaysian Accounting Standards Board ("MFRS Accounting Standards"), IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditors' Report

To the members of Hengyuan Refining Company Berhad
(Registration No. 196001000259 (3926-U))
(Incorporated in Malaysia)

Key Audit Matters **(continued)**

<table>
<tr><th colspan="2">Impairment of refinery assets</th></tr>
<tr><td colspan="2">Refer to Note 1(d) Use of estimates and judgements, Note 3 – Property, plant and equipment, Note 4 – Right-of-use assets and Note 5 – Intangible assets to the financial statements.</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>The Company incurred a net loss from operating activities of RM227.1 million during the financial year ended 31 December 2024. As at 31 December 2024, the carrying amount of the Company's property, plant and equipment, right-of-use assets and intangible assets (collectively cash-generating-units ("CGU") or refinery assets) was RM2,110.0 million, net of accumulated impairment losses of RM232.7 million. The Company operates in the oil and gas industry which is subject to price volatility due to global supply and demand. An impairment assessment was carried out by the Company on the refinery assets during the year which involved significant judgements and estimates in determining the recoverable amount based on value-in-use (VIU).

We have identified this as a key audit matter because of:

• the significance of the assets to the Company's statement of financial position; and

• the estimation of recoverable amounts involves a significant degree of judgment and uncertainties. Key judgmental aspects include assumptions of refining margins, production volume and the use of an appropriate discount rate.</td><td>We performed the following audit procedures, among others:

• Evaluated the valuation techniques, key assumptions and data used to estimate the VIU, including whether there is any indicators of possible management bias;

• Considered the likelihood and sensitivities of significant assumptions by checking to internal and external sources and their impact on the overall impairment test outcome;

• Corroborated the underlying refining margin projection against market data and historical trend of crude oil and refined products prices;

• Compared projected production volume against historical production volume;

• Used our own Corporate Finance specialists to assess the discount rate used in calculating the VIU, which includes benchmarking against comparable companies;

• Compared the prior period's prospective financial information to the current year's actual results; and

• Assessed the adequacy of disclosures required by relevant accounting standards , including disclosures about sensitivities and major sources of estimation uncertainty.</td></tr>
</table>

Independent Auditors' Report

To the members of Hengyuan Refining Company Berhad
(Registration No. 196001000259 (3926-U))
(Incorporated in Malaysia)

Key Audit Matters (continued)

Going concern basis of accounting	
Refer to Note 1(b) Basis of measurement and Note 24.5 – Liquidity risk	
The key audit matter	**How the matter was addressed in our audit**
The Company incurred a net loss of RM357.6 million during the financial year ended 31 December 2024, and as of that date, the current liabilities of the Company exceeded its current assets by RM691.7 million. In assessing the liquidity position of the Company, the Directors have considered the following: • the Company will have sufficient cash for the next twelve months from the date of approval of the financial statements to meet their operation requirements as and when they fall due; and • the Company will have available credit facilities and continuous support from lenders to meet the Company's operational and financial needs. The assessment of the Company's liquidity risk is inherently uncertain and involve significant judgement and estimates, including the cash flows forecast of the Company.	We performed the following audit procedures, among others: • Assessed the reasonableness of the Company's cash flows forecast and evaluated the data and key assumptions used in the estimates by comparing to internal and external sources; • Agreed the repayment of borrowing included in the Company's cash flow projection to the terms stipulated in the facility agreements; • Corroborated funding facilities against facility agreements and correspondences with lenders; • Compared the prior period's forecasted financial information to the current year's actual results; • Evaluated the calculation of debt covenants of borrowings against the terms in the facility agreements; and • Assessed the adequacy of the disclosures in the financial statements.

Independent Auditors' Report

To the members of Hengyuan Refining Company Berhad
(Registration No. 196001000259 (3926-U))
(Incorporated in Malaysia)

Key Audit Matters (continued)

Recoverability of deferred tax assets	
Refer to Note 1(d) Use of estimates and judgements and Note 6 – Deferred tax assets	
The key audit matter	**How the matter was addressed in our audit**
As at 31 December 2024, the Company's net deferred tax assets amounted to RM105.6 million, of which RM151.3 million and RM24.7 million were attributable to unused tax losses and unused reinvestment allowances respectively, which are time sensitive. We identified recoverability of deferred tax assets as a key audit matter because it was significant to our audit and it entailed estimation of the future taxable income which involved significant judgement and uncertainties.	We performed the following audit procedures, among others: • Assessed the nature, amount and expiry dates of the unused tax losses and reinvestment allowances that have been recognised as deferred tax assets; • Compared the prior period's prospective financial information to the current year's actual results; • Evaluated the Company's future taxable profits projection, including the data and key assumptions used in the projection by comparing to internal and external sources; and • Assessed the adequacy of the disclosures in the financial statements.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with MFRS Accounting Standards, IFRS Accounting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

Independent Auditors' Report

To the members of Hengyuan Refining Company Berhad
(Registration No. 196001000259 (3926-U))
(Incorporated in Malaysia)

Responsibilities of the Directors for the Financial Statements (continued)

In preparing the financial statements of the Company, the Directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

Independent Auditors' Report

To the members of Hengyuan Refining Company Berhad
(Registration No. 196001000259 (3926-U))
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

1 The financial statements of the Company as at and for the year ended 31 December 2023 were audited by another chartered accountant who expressed an unmodified opinion on those statements on 26 March 2024.

2 This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Lam Shuh Siang
Approval Number: 03045/02/2027 J
Chartered Accountant

Kuala Lumpur

Date: 27 March 2025

Company Properties

As at 31 December 2024

No	Tenure	Address	Land area (square feet)	Description	Age of properties/ buildings	Date of last Valuation	Land NBV RM'000	Land Improvement NBV RM'000	Building NBV RM'000	Net book value RM'000
1	Freehold	1236 - 1238 GRN 62766 - 62768 87 Jln Resthouse Port Dickson	76,973	A club house and training centre	60 years	01.01.1991	984	-	809	1,793
2	Freehold	Lot 3 HS(D) 1310 Jln Pantai Port Dickson	6,284,186	Refinery	61 years	01.01.1991	20,091	451	24,607	45,149
3	Freehold	Lot 138 GRN 51925 Port Dickson	39,115	Oil Spill Response Centre	60 years	01.01.1991	240	-	170	410
4	Freehold	Lot 798 GM 3203 Kg Arab Port Dickson	49,955	Tank Farm	36 years	01.01.1991	128	-	-	128
5	Freehold	Lot 196 GM 3208 Kg Gelam Port Dickson	242,845	Reserved Land	37 years	01.01.1991	628	-	-	628
6	Freehold	Lot 195 GM 3207 Kg Gelam Port Dickson	249,389	Reserved Land	37 years	01.01.1991	634	-	-	634
7	Freehold	PT 1369 HSD 35655 Port Dickson	1,725,885	Reserved Land, Tank Farm	38 years	01.01.1991	5,212	-	-	5,212
8	Freehold	PT 1370 HSD 35656 Port Dickson	378,384	Reserved Land, TA Office	38 years	01.01.1991	1,107	-	146	1,253
9	Freehold	PT 1371 HSD 35657 Port Dickson	132,030	Reserved Land	38 years	01.01.1991	387	-	-	387
10	Freehold	PT 10747 HSD 35658 Port Dickson	205,558	Reserved Land	38 years	03.09.1991	543	-	-	543
11	Freehold	Lot 12284 & 12290, GM 1961 GM 3201 Port Dickson	112,052	Reserved Land, MPP Facilities	29 years	31.08.2000	439	-	-	439
12	Freehold	LOT 596 GRN 244911 Port Dickson	100,826	Tank Farm	29 years	31.08.2000	857	-	-	857
13	Freehold	Lot 5471 - 5494 GM 994 - 1017 Lot 5496 - 5540 GM 1019 - 1063 Port Dickson	188,799	Tank Farm	27 years	31.08.2000	1,150	-	-	1,150
14	Freehold	Lot 950 GM 2721 Port Dickson	104,819	Reserved Land	28 years	31.08.2000	664	-	-	664

Company Properties

As at 31 December 2024

No	Tenure	Address	Land area (square feet)	Description	Age of properties/ buildings	Date of last Valuation	Land NBV RM'000	Land Improvement NBV RM'000	Building NBV RM'000	Net book value RM'000
15	Freehold	Lot 12425 - 12456 GRN 146936 - 146967, Lot 5441 HSD 4418 Lot 12458 - 12486 GRN 146968 - 146996 Port Dickson	212,544	Tank Farm	28 years	31.08.2000	1,111	-	-	1,111
16	Freehold	Lot 834 GRN 70791 Port Dickson	353,110	Reserved Land	29 years	31.08.2000	1,558	-	-	1,558
17	Freehold	Lot 6674 GM 2774 Port Dickson	97,726	For pipeline to jetty	35 years	01.01.1991	534	-	-	534
18	Freehold	Lot 1323 GM 3199 Port Dickson	178,595	For pipeline to jetty	35 years	01.01.1991	828	-	-	828
19	Freehold	Lot 6671 GM 2771 Port Dickson	84,249	For pipeline to jetty	35 years	01.01.1991	425	-	-	425
20	Freehold	Lot 6672 GM 3195, Kg Gelam Port Dickson	59,395	For pipeline to jetty	35 years	01.01.1991	328	-	-	328
21	Freehold	Lot 192 GM 3206 Kg Gelam Port Dickson	148,101	For pipeline to jetty	36 years	01.01.1991	405	-	-	405
22	Freehold	Lot 247 GM 3202 Port Dickson	120,330	For pipeline to jetty	36 years	01.01.1991	303	-	-	303
23	Freehold	Lot 191 GM 3205 Kg Gelam Port Dickson	134,495	For pipeline to jetty	37 years	01.01.1991	566	-	-	566
24	Freehold	Lot 190 GM 3204 Kg Gelam Port Dickson	131,770	For pipeline to jetty	37 years	01.01.1991	527	-	-	527
25	Freehold	Lot 909 GRN 69309 Port Dickson	86,768	For pipeline to jetty	33 years	01.01.1991	394	-	-	394
26	Freehold	Lots 178 - 180 GM 3196 - 3198 Port Dickson	448,673	For pipeline to jetty	33 years	01.01.1991	1,984	-	-	1,984
27	Freehold	Lot 1300 GM 3194, Kg Gelam Port Dickson	58,200	For pipeline to jetty	34 years	01.01.1991	368	-	-	368
28	Freehold	Lot 3948 - 3951 GM 2619 - 2622 Port Dickson	5,042	Refinery Buffer Zone	28 years	30.04.2001	315	-	-	315

Company Properties

As at 31 December 2024

No	Tenure	Address	Land area (square feet)	Description	Age of properties/ buildings	Date of last Valuation	Land NBV RM'000	Land Improvement NBV RM'000	Building NBV RM'000	Net book value RM'000
29	Freehold	Lot 3974 - 3977 GM 2632 - 2635 Port Dickson	5,042	Refinery Buffer Zone	28 years	30.04.2001	315	-	-	315
30	Freehold	Lot 4961 - 4968 GM 475 - 482 Port Dickson	34,789	Refinery Buffer Zone	28 years	30.04.2001	1,158	-	-	1,158
31	Freehold	Lot 5402 - 5407 GM 345 - 350 Port Dickson	21,883	Refinery Buffer Zone	28 years	30.04.2001	821	-	-	821
32	Freehold	Lot 10533 GM 1653, Kg Gelam Port Dickson	2,002	Refinery Buffer Zone	31 years	31.08.2000	18	-	-	18
33	Freehold	Lot 9196 - 9214 GM 1770-1788 & Lot 12105 GM 2959, Kg Gelam Port Dickson	40,322	Refinery Buffer Zone	31 years	31.08.2000	363	-	-	363
34	Freehold	Lot 12104 GM 2859, Kg Gelam Port Dickson	570	Refinery Buffer Zone	31 years	31.08.2000	56	-	-	56
35	Freehold	Lot 1312 - 1314 GM 1600 - 1602 Lot 1317 - 1318 GM 1605 - 1606 Port Dickson	49,729	Reserved Land	60 years	01.01.1991	307	-	-	307
36	Freehold	Lot 764 GRN 65945 Port Dickson	9,009	Reserved Land	61 years	01.01.1991	56	-	-	56
37	Freehold	Lot 12086 GM 3200 Port Dickson	62,614	Reserved Land	17 years	28.03.2008	548	-	-	548
38	Freehold	Lot 9060 GM 2720 Port Dickson	9,149	Reserved Land	61 years	01.01.1991	183	-	-	183
39	Leasehold	PT 9451 HSD 29075, Mukim Port Dickson	2,822,620	Jetty Land	32 years	10.04.2004	1,513	-	178	1,691
			15,067,542				**48,048**	**451**	**25,910**	**74,409**

Analysis of Holdings

As at 27 March 2025

Total number of issued shares : 300,000,000 ordinary shares
Class of Shares : Ordinary shares
Voting Rights : One (1) vote per ordinary share on a poll
Number of Shareholders : 16,414

DISTRIBUTION OF ORDINARY SHAREHOLDERS
according to statistical summary of the Record of Depositors as at 27 March 2025

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Capital
Less than 100 issued shares	1,045	6.37	5,848	0.00
100 to 1,000 issued shares	5,004	30.49	3,655,896	1.22
1,001 to 10,000 issued shares	8,298	50.55	34,093,371	11.36
10,001 to 100,000 issued shares	1,906	11.61	52,068,888	17.36
100,001 to less than 5% of issued shares	160	0.97	57,106,995	19.04
5% and above of issued shares	1	0.01	153,069,002	51.02
Total	**16,414**	**100**	**300,000,000**	**100**

LIST OF THIRTY LARGEST ORDINARY SHAREHOLDERS
according to the Record of Depositors as at 27 March 2025

No.	Name	Shareholdings	%
1	RHB Nominees (Tempatan) Sdn Bhd Malaysia Hengyuan International Limited	153,069,002	51.023
2	Foo Khen Ling	8,111,000	2.704
3	Kam Loong Mining Sdn Bhd	5,790,000	1.930
4	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Ching Mun	2,355,000	0.785
5	Yap Ah Fatt	2,300,000	0.767
6	Tan Kah Hock	1,550,000	0.517
7	UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt an for UOB Kay Hian Pte Ltd (A/C Clients)	1,365,250	0.455
8	CGS International Nominees Malaysia (Tempatan) Sdn Bhd Pledged Securities Account for Tian Wee Kong (Muar-CL)	1,306,300	0.435
9	Wong Siew Fah	910,000	0.303
10	Eletechnics Sdn Bhd	800,000	0.267

Analysis of Holdings

As at 27 March 2025

LIST OF TOP 30 SHAREHOLDERS (continued)

(Without aggregating securities from different securities accounts belonging to the same registered holders)

No.	Name	Shareholdings	%
11	Malaysia Nominees (Tempatan) Sendirian Berhad Lee Foundation, States of Malaya (00-00197-000)	790,000	0.263
12	Tan Ah Heng	625,000	0.208
13	UOB Kay Hian Nominees (Tempatan) Sdn Bhd Exempt an for UOB Kay Hian Pte Ltd (A/C Clients)	617,800	0.206
14	Chan Kok Chwi	584,900	0.195
15	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ye Yu @ Ye Kim Onn	528,400	0.176
16	Kam Loong Credit Sdn Bhd	500,000	0.167
17	Khoo Hup	500,000	0.167
18	Citigroup Nominees (Asing) Sdn Bhd Exempt an for OCBC Securities Private Limited (Client A/C-NR)	464,618	0.155
19	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Wei Aun (E-KLC)	460,000	0.153
20	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ong Hock Keng (E-TCS)	452,700	0.151
21	Patrick Chiong Sui Chai	450,000	0.150
22	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yeong Sin Khong	446,600	0.149
23	Reuben Tan Cherh Chung	440,000	0.147
24	Kong Weng Tuck	409,300	0.136
25	Tan Ewe Seong	403,000	0.134
26	Affin Hwang Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Teck Huat	400,500	0.134
27	Affin Hwang Nominees (Tempatan) Sdn Bhd Sekarajasekaran A/L Arasaratnam (SL)	400,000	0.133
28	Gan Yen Cheng	400,000	0.133
29	Lim Ah Cheng @ Lim Koh Den	400,000	0.133
30	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Mohamad Suffian bin Ismail	399,800	0.133
	Total	**187,229,170**	**62.410**

Analysis of Holdings

As at 27 March 2025

SUBSTANTIAL ORDINARY SHAREHOLDERS
according to the Register of Substantial Shareholders as at 27 March 2025

No.	Name	No. of Shares Held Direct Interest	%	Deemed Interest	%
1	RHB Nominees (Tempatan) Sdn Bhd Malaysia Hengyuan International Limited	153,069,002	51.023	-	-

INFORMATION ON DIRECTORS' AND CHIEF EXECUTIVE'S HOLDINGS

Directors		No. of Shares Held Direct Interest	%	Deemed Interest	%
1	Li, Xiaoxia	-	-	-	-
2	Peter Ho Kok Wai	-	-	-	-
3	Surinderdeep Singh Mohindar Singh	-	-	-	-
4	Tai Sook Yee	-	-	-	-
5	Wang, Youde	-	-	-	-
6	Yin, LuJiang (Chief Executive Officer)	-	-	-	-

Additional Corporate Governance Disclosures

The following information sets out the attendance of each Director at general meetings, board meetings and board committee meetings of the Company held in the year 2024.

BOARD AND GENERAL MEETINGS

Name of Members	Board Meeting Attendance during the Director's term in office		General Meeting Attendance during the Director's term in office	
Wang, YouDe	5/5	100%	1/1	100%
Wang, ZongQuan	5/5	100%	1/1	100%
Alan Hamzah Sendut	5/5	100%	1/1	100%
Surinderdeep Singh Mohindar Singh	5/5	100%	1/1	100%
Tai Sook Yee	5/5	100%	1/1	100%
Li, XiaoXia	5/5	100%	1/1	100%

Total number of BOD meetings in 2024: 5

Total number of General Meeting: 1

(a) Wang,ZongQuan retired from the Board with effect from 28 November 2024.

(b) Alan Hamzah Sendut retired from the Board with effect from 31 December 2024.

BOARD AUDIT COMMITTEE MEETING

Name of Members	Attendance during the Director's term in office	
Alan Hamzah Sendut (Chair)	5/5	100%
Surinderdeep Singh Mohindar Singh	5/5	100%
Tai Sook Yee	5/5	100%

Total number of BAC meetings in 2024: 5

(a) Alan Hamzah Sendut retired from the Board Audit Committee with effect from 31 December 2024.

BOARD NOMINATING AND REMUNERATION COMMITTEE MEETING

Name of Members	Attendance during the Director's term in office	
Surinderdeep Singh Mohindar Singh (Chair)	4/4	100%
Wang, YouDe	4/4	100%
Li, XiaoXia	4/4	100%

Total number of BAC meetings in 2024: 4

Additional Corporate Governance Disclosures

BOARD RISK MANAGEMENT COMMITTEE MEETING

Name of Members	Attendance during the Director's term in office	
Wang, ZongQuan (Chair)	4/4	100%
Alan Hamzah Sendut	4/4	100%
Tai Sook Yee	4/4	100%

Total number of BRMC meetings in 2024: 4

(a) Wang,ZongQuan retired from the Board Risk Management Committee with effect from 28 November 2024.

(b) Alan Hamzah Sendut retired from the Board Risk Management Committee with effect from 31 December 2024

Additional Corporate Governance Disclosures

DIRECTORS' TRAINING

A summary of the continuing education programmes and trainings attended by the Directors of HRC for the financial year ended 31 December 2024 are set out below:

1 January 2024 to 31 December 2024	• Are You Measuring Your Sustainability Performance Right – Targets and Metrics?, organised by Institute of Corporate Directors Malaysia (ICDM) • Mind Matters: Mental Wellbeing in the Workplace, organised by ICDM • Being Sued as an Independent Non-Executive Director – A personal journey, organised by ICDM • Is your organization ready for Taskforce on Nature-related Financial Disclosures (TNFD), organised by ICDM • How the Financial Markets Work, organised by Mercatus Consultancy Sdn. Bhd. • International Conference on Financial Crime and Terrorism Financing Masterclass 2024, organised by AICB • Navigating Financial Crime and Cybersecurity for Resilience and Integrity in the Energy Sector, organised by Velesto • Establishing Islah through Islamic Finance, organised by IBFIM • Securities Commission Malaysia – Audit Oversight Board Conversation with Audit Committees, organised by Securities Commission • Navigating Malaysia's National Sustainability Reporting Framework (NSRF), organised by Velesto • Bursa Malaysia Mandatory Accreditation Programme, organised by ICDM • Leading for Impact (LIP): Bursa Malaysia Mandatory Accreditation Programme, organised by ICDM • Navigating Recent Tax Changes in Malaysia: A Guide for Employers and Directors, organised by Boardroom Malaysia • Leading for Impact (LIP): Bursa Malaysia Mandatory Accreditation Programme Part II, organised by ICDM • SIDC's SRI 2024 Conference – Investing in Human Wellbeing and the Planet, organised by Securities Industry Development Corporation • China's Economic Prospects and Global Impact (Part 1), organised by Global Institute for Tomorrow (GIFT) • Carbon Market: What Directors Need to Know, organised by Asia School of Business • Board Ethics: Growing Concerns from New Technology, Stakeholder Interests & Conflict of Interest, organised by Bursa Malaysia

Disclosure of Recurrent Related Party Transactions

In compliance with paragraph 10.09(2)(b) of the Listing Requirements, the Company had obtained a mandate from its shareholders to enter into recurrent related party transactions of a revenue or trading nature with its related parties at the Annual General Meetings held on 24 May 2023 and 28 May 2024 (RRPT Mandate).

Details of the recurrent related party transactions entered into pursuant to the RRPT Mandate in the financial year ended 31 December 2024 are set out below.

Related Party	Nature of Transaction	Value from 1 January 2024 to 28 May 2024 (RM)	Value from 29 May 2024 to 31 December 2024 (RM)	Total of actual transactions for Financial Year Ended 2024 (RM)
Shandong Hengyuan Petrochemical Company Limited and its subsidiaries including: (i) Heng Yuan Holdings Limited; (ii) Malaysia Hengyuan International Limited; and (iii) Hengyuan International Sdn Bhd	Sale of petroleum products and crude oil by HRC	-	-	-
	Purchase of petroleum products and crude oil by HRC	-	-	-
	Provision of freight and freight brokerage services in relation to the purchase of crude oil and product components by HRC	-	-	-
	Provision of central management, business support, administrative services and oil and oil products risk management services to HRC	2,830,850	6,363,384	9,194,234
	Provision of technical advisory and consultancy services and research and development advisory services to HRC	3,493,013	7,305,401	10,798,414
	Sale of materials, equipment, goods and products related to the operation of the refinery, excluding petroleum products and crude oil, by HRC	-	-	-
	Purchase of materials, equipment, goods and products related to the operation of the refinery, excluding petroleum products and crude oil, by HRC	-	-	-
	Rental of premises for the accommodation of expatriate employees	23,605	34,859	58,464
	Rental of premises with HISB for the sub-tenancy of office premises for use as the Company's Corporate office	200,000	280,000	480,000
	TOTAL	**6,547,468**	**13,983,644**	**20,531,112**

Note:
The numbers have been confirmed by the external auditors and the Chief Internal Auditor.

Notice of 66th Annual General Meeting

NOTICE IS HEREBY GIVEN that the Sixty-Sixth Annual General Meeting ("66th AGM") of Hengyuan Refining Company Berhad ("Company") will be held at **Ballroom, Ground Floor, d'Tempat Country Club, PT 12653, Jalan Pusat Dagangan Sendayan 1, Bandar Sri Sendayan, 71950 Seremban, Negeri Sembilan** on **Wednesday, 28 May 2025** 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 2024 and the Reports of the Directors and Auditors thereon.

   Please refer to Note (a)

2. To re-elect Madam Tai Sook Yee who retire in accordance with Article 81(c) of the Constitution of the Company, and being eligible, have offered herself for re-election. **Ordinary Resolution 1**

   [Please refer to Note (b)]

3. To re-elect Mr Peter Ho Kok Wai who retire in accordance with Article 81(h) of the Constitution of the Company, and being eligible, have offered himself for re-election. **Ordinary Resolution 2**

   [Please refer to Note (b)]

4. To consider and if thought fit, to pass the following resolution: **Ordinary Resolution 3**

   "**THAT** KPMG PLT be and is hereby re-appointed as auditors of the Company for the financial year ending 31 December 2025 and to hold office until conclusion of the next annual general meeting at a remuneration to be determined by the directors."

   [Please refer to Note (c)]

5. To approve the payment of Non-Executive Directors' fees and benefits of up to RM2,400,000.00 for the period from 1 June 2025 until 31 May 2026. **Ordinary Resolution 4**

   [Please refer to Note (d)]

Notice of 66th Annual General Meeting

SPECIAL BUSINESS

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

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

7. **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 (f)]

Notice of 66th Annual General Meeting

8. **PROPOSED RENEWAL OF EXISTING 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 25 April 2025 which are necessary for day-to-day operations and are carried out in the ordinary course of business on terms which are not more favourable to the related parties than those generally available to the public and are undertaken on an arms' length basis and not to the detriment of minority shareholders;

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

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

in a general meeting; whichever is the earlier;

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

[Please refer to Note (g)]

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

BY ORDER OF THE BOARD

TAN AI NING (MAICSA 7015852) (SSM PC No.: 202008000067)
TAN SIEW HONG (MAICSA 7066226) (SSM PC No.: 201908001915)
COMPANY SECRETARIES

SELANGOR DARUL EHSAN
25 April 2025

Notice of 66th Annual General Meeting

NOTES:

1. 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 **19 May 2025** 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/her stead.

2. A member who is entitled to participate in this AGM 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.

3. 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. 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.

4. 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.

5. 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.

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

7. 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.

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

9. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under Seal or under the hand of an officer or an attorney duly or under the hand of an officer or attorney duly authorised, shall be deposited at the office of the Company's Share Registrar, Boardroom Share Registrars Sdn. Bhd. at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.

   Alternatively, the instrument appointing proxy may by electronically submitted to Boardroom Share Registrars Sdn. Bhd. via Boardroom Smart Investor Online Portal (applicable to individual shareholder only) at *https://investor.boardroomlimited.com*. Please refer to the Administrative Guide for further information on electronic submission of Proxy Forms.

10. 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 9 above.

11. 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.

12. 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 66th 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 – Re-election of Directors**

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. The Board currently consists of five (5) directors with one newly appointed Director who shall retire and re-elected pursuant to Article 81(h). Hence four (4) Directors shall be subject to retirement by rotation, of which Madam Tai Sook Yee shall retire in accordance with Article 81(c) at the upcoming AGM.

In addition, Article 81(h) of the Constitution of the Company provides that any Director appointed during the year shall hold office only until the next AGM and shall be eligible for re-election. Mr Peter Ho Kok Wai was appointed as Independent Non-Executive Director of the Company on 3 March 2025, and he has offered himself for re-election at the 66th AGM.

The Board (save for the two retiring Directors) have discussed and considered the following aspects to determine the eligibility of each Director who stand for re-election at the 66th AGM:

(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 2024 ("BEA 2024") which were conducted using peer and self reviews;
(iii) Fit and Proper assessment on the Director's integrity, expertise, knowledge, experience and core competencies as well as the time commitment;
(iv) The Director's independence criteria as set out in the Listing Requirements; and
(v) The Director's level of contribution to the Board, taking into account the key business strategies.

On 27 March 2025, the Board (save for the two retiring Directors) discussed and supported the re-election of the retiring Directors, with the following justifications:

Re-election of Madam Tai Sook Yee as a Director of the Company

(i) She has a relevant mix of experience, skill, knowledge, expertise and core competency that is beneficial to the Company, including finance, accounting, governance, corporate, investment, strategies and support chain solutions;
(ii) She brings an independent judgement to bear on issues of accountability, objectivity, strategy, performance and adequacy of systems and controls; and
(iii) She provides logical, honest opinions on issues presented without being afraid of expressing disagreement. She is also pro-active in discussing any concerns, exhibits openness and transparency.

Re-election of Mr Peter Ho Kok Wai as a Director of the Company

Article 81(h) of the Constitution of the Company provides that any Director appointed during the year shall hold office only until the next AGM and shall be eligible for re-election. Mr Peter Ho Kok Wai was appointed as an Independent Non-Executive Director of the Company on 3 March 2025, and he has offered himself for re-election at this AGM.

c. **Ordinary Resolution No 3 – Re-appointment of Auditors**

Having satisfied with KPMG PLT's performance, the Board has recommends their re-appointment for shareholders' approval at the 66th AGM of the Company and to hold office as Auditors of the Company for the ensuing year until the conclusion of the next Annual General Meeting at a fee to be determined by the Board of Directors of the Company.

d. **Ordinary Resolution No 4 - Payment of Directors' Fees**

This resolution is to facilitate payment of Non-Executive Directors' fees and benefits for the period from 1 June 2025 to 31 May 2026. 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 2025 to 31 May 2026.

Notice of 66th Annual General Meeting

e. **Ordinary Resolution No 5 - Authority to allot shares**

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% 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 which was approved by the shareholders at the 65th AGM held on 28 May 2024 and will lapse at the conclusion of the 66th AGM to be held on 28 May 2025. As at the date of this notice, there is no decision to issue new shares. Should there be a decision to issue new shares after the general mandate is sought, the Company will make an announcement of the actual purpose and utilisation of proceeds arising from such issuance of shares.

f. **Ordinary Resolution No 6 - Proposed Share Buy Back**

The proposed Resolution No 6, if passed, will empower the Directors to purchase, on behalf of the Company, up to 10% of the total number of issued shares of the Company by utilising the funds allocated which shall not exceed the retained profits of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

For further information, please refer to the Share Buy-Back Statement dated 25 April 2025 accompanying the Company's Annual Report for the financial year ended 31 December 2024.

g. **Ordinary Resolution No 7 - Proposed Renewal of RRPT Mandate**

The proposed Ordinary Resolution 7 is to seek renewal of the 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 25 April 2025 accompanying the Company's Annual Report for the financial year ended 31 December 2024.

Statement Accompanying Notice of 66th Annual General Meeting

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

A. Details of the individuals who are standing for election as Directors (excluding Directors standing for re-election)

No individual is standing for election as a Director (excluding Directors standing for re-election) at the 66th Annual General Meeting (AGM) of the Company.

B. Statement relating to general mandate for issue of securities in accordance with Paragraph 6.03(3) of the Main Market Listing Requirements

The resolution in relation to the authority to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016, is a renewal of the general mandate for the issue of new ordinary shares in the Company which was approved at the last 65th AGM held on 28 May 2024.

As at the date of the Notice of the 66th AGM, no new shares were issued pursuant to the mandate granted to the Directors at the 65th AGM held on 28 May 2024 and which will lapse at the conclusion of the 66th AGM.

The resolution, if passed, would provide flexibility to the Directors to undertake fund-raising activities, including but not limited to placement of shares for the funding of the Company's future investment projects, working capital and/or acquisitions, by the issuance of shares in the Company to such persons at any time, as the Directors consider it to be in the best interests of the Company. Any delay arising from and cost involved in convening a general meeting to approve such issuance of shares should be eliminated.

This authority, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next AGM of the Company.

Acronyms & Abbreviation

AME	Asset Machinery and Equipment
AML	Anti-Money Laundering
ASU	Air Separation Unit
BIPs	Business Improvement Plans
BPR	Business Performance Review
CCU	Crude Column Unit
COB	Carbon Monoxide Boiler
DOE	Department of Environment
DOF	Department of Fisheries
E4M	Euro 4 Mogas
E5G	Euro 5 Gas Oil
EII	Energy Intensity Index
ERCMC	Environmental Regulatory Compliance Monitoring Committee
ERP	Emergency Response Plan
ERP	Enterprise Resource Planning
ETP	Effluent Treatment Plant
FAC	First Aid Cases
FGRU	Flare Gas Recovery Unit
GRI	Global Reporting Initiative
HMU	Hydrogen Manufacturing Unit

IFRS	International Financial Reporting Standards
ISMS	Information Security Management System
KVDT	Klang Valley Distribution Terminal
LCA	Life Cycle Analysis
LNG	Liquefied Natural Gas
LOPC	Loss of Primary Containment
LRCCU	Long Residue Catalytic Cracker Unit
LTI	Lost Time Injury
MTA	Major Turnaround
MTN	Medium-Term Notes
NSRF	National Sustainability Reporting Framework
OSH	Occupational Safety & Health
SHPC	Shandong Hengyuan Petrochemical Company Limited
SIA	Site Internal Assurance
TOR	Terms of Reference
UNSDG	United Nations Sustainable Development Goals
UPDT	Unplanned Downtime

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Proxy Form

Hengyuan Refining Company Berhad
Registration No. 196001000259 (3926-U)

CDS Account No	No of shares held

I/We ____
(Full name in block letters)

NRIC/Passport No ____

of ____
(Address in full)

____

being a member of Hengyuan Refining Company Berhad, do hereby appoint ______________________
(Full name in block letters)

______________________________ NRIC/Passport No ______________________

of ____
(Address in full)

and ____
(Full name in block letters)

NRIC/Passport No ______________________ of ______________________
(Address in full)

____

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Sixty-Sixth Annual General Meeting ("66th AGM") of Hengyuan Refining Company Berhad ("the Company") to be conducted at **Ballroom, Ground Floor, d'Tempat Country Club, PT 12653, Jalan Pusat Dagangan Sendayan 1, Bandar Sri Sendayan, 71950 Seremban, Negeri Sembilan** on **Wednesday, 28 May 2025** at **10.00 a.m.** and at any adjournment thereof.

Resolutions	Descriptions	For	Against
Ordinary Resolution 1	To re-elect Madam Tai Sook Yee as Director of the Company.		
Ordinary Resolution 2	To re-elect Mr Peter Ho Kok Wai as Director of the Company.		
Ordinary Resolution 3	To re-appoint KPMG PLT as auditors of the Company for the financial year ending 31 December 2025.		
Ordinary Resolution 4	To approve payment of Non-Executive Directors' fees and benefits of up to RM2,400,000.00 for the period from 1 June 2025 until 31 May 2026.		
Ordinary Resolution 5	Proposed Renewal of Authority to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act 2016.		
Ordinary Resolution 6	Proposed Renewal of Authority for Share Buy-Back.		
Ordinary Resolution 7	Proposed Renewal of existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		

Please indicate with an "x" in the spaces provided how you wish your vote to be cast. If no instruction as to voting is given, the Proxy will vote as he or she thinks fit or abstain from voting at his or her discretion.

Dated this __________ day of __________ 2025.

____
Signature/Common Seal of Shareholder(s)

Contact No ______________________

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

	No of Shares	Percentage
Proxy 1		%
Proxy 2		%
Total		**100%**

NOTES:

1. 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 **19 May 2025** 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/her stead.

2. A member who is entitled to participate in this AGM 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.

3. 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. 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.

4. 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.

5. 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.

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

7. 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.

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

9. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under Seal or under the hand of an officer or an attorney duly or under the hand of an officer or attorney duly authorised, shall be deposited at the office of the Company's Share Registrar, Boardroom Share Registrars Sdn. Bhd. at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.

   Alternatively, the instrument appointing proxy may by electronically submitted to Boardroom Share Registrars Sdn. Bhd. via Boardroom Smart Investor Online Portal (applicable to individual shareholder only) at *https://investor.boardroomlimited.com*. Please refer to the Administrative Guide for further information on electronic submission of Proxy Forms.

10. 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 9 above.

11. 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.

12. 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.

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