

HENGYUAN REFINING COMPANY BERHAD (3926-U)
(FORMERLY KNOWN AS SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD)

SUBJECT: ANNOUNCEMENT ON RELATED PARTY TRANSACTION

DESCRIPTION: PAYMENT FOR THE PROVISION OF INFORMATION TECHNOLOGY TRANSITION AND SEPARATION SERVICES BY SHELL INTERNATIONAL PETROLEUM COMPANY LIMITED

Hengyuan Refining Company Berhad (formerly known as Shell Refining Company (Federation of Malaya) Berhad) (“**HRC**” or the “**Company**”) wishes to announce the following related party transaction (“**RPT**”) entered into between HRC and a related party, Shell International Petroleum Company Limited (“**SIPC**”) on 14 December 2017:

Name of Related Party	Nature of RPT	Amount of RPT (USD)
Shell International Petroleum Company Limited	Payment for the provision of Information Technology (IT) transition and separation services by SIPC to HRC	USD8,712,574 (Equivalent to RM35,547,302 based on the exchange rate of USD1 = RM4.08 as at 14 December 2017)

Pursuant to paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the highest percentage ratio applicable to the transaction is 3.52%, based on the aggregate value of the consideration given in relation to the RPT, compared with the net assets of the Company. The above amount has exceeded the 0.25% percentage ratio threshold for related party transactions.

Relationship with SIPC

SIPC is regarded by HRC as a related party by virtue of Mr. Martinus Joseph Marinus Aloysius Stals (“**Mr. Maarten Stals**”), the managing director of HRC. Mr. Maarten Stals is seconded to the Company as an employee of Shell Global Solutions (Malaysia) Sdn. Bhd. (“**SGSB**”). SGSB and SIPC have a common ultimate holding company, which is Royal Dutch Shell plc. (“**Shell**”).

The board of directors of HRC had previously decided as a matter of prudence that SIPC be considered as a person connected to Mr. Maarten Stals and be regarded as a related party of HRC. As such, HRC regards the abovementioned transaction with SIPC as a transaction between HRC and a person connected to a director and a RPT.

Nature of the RPT

Shell Overseas Holdings Limited had on 22nd December 2016 completed the sale of its 153,000,000 Ordinary shares in the issued share capital of the Company to Malaysia Hengyuan International Limited (“**Divestment**”). Consequent to the Divestment, Shell provided HRC with certain services and assets to effect the separation of the information technology system (“**IT System**”) of the Company from the IT System of the Shell group (“**IT Separation**”). The IT Separation was completed to the satisfaction of the Parties on 8 August 2016.

On 14 December 2017, HRC and SIPC agreed to enter into a IT transition agreement to record the work performed and the costs incurred by SIPC for and on behalf of the Company, in respect of the IT Separation, which had been earlier agreed to be reimbursed by the Company to SIPC once the costs were finalised. Payment will be made within 45 days of the Company’s receipt of the original invoice from SIPC.

Consideration

The consideration is based on charges for the work done by SIPC and its appointed external third party vendors to separate, transit and migrate HRC’s IT System for the IT Separation.

Rationale of RPT

The rationale for HRC to enter into the RPT is to effect the IT Separation following the Divestment. SIPC was considered as the most suitable and efficient candidate to manage and perform the IT Separation given the high level of integration of the IT systems of both companies before the separation and due to its familiarity with HRC’s IT System, given that SIPC had previously provided information technology services to HRC when the Company was part of the Shell group of Companies.

Effect of RPT

The RPT is not expected to have material effect on the earnings per share, net assets per share and gearing of HRC. The RPT has no effect on the share capital and substantial shareholders’ shareholding of HRC.

Whether the RPT is subject to the approval of shareholders and the relevant government authorities

The RPT is not subject to the approval of shareholders or any relevant government authorities.

Total Amount Transacted with the Same Related Party for the Preceding 12 months

Excluding those recurrent related party transactions that were approved by shareholders of HRC on 26 May 2016 and 24 May 2017, HRC has no other transaction with the same related party for the preceding 12 months.

Directors’ and Major Shareholders’ Interest

Save for Mr. Maarten Stals, who has an interest in the RPT, and SIPC who is a person connected to Mr. Maarten Stals, none of the directors and/or major shareholders of HRC and/or persons connected with them, have any interest, whether direct or indirect in the RPT.

Statement by Audit Committee

The Audit Committee having considered the nature and rationale for the RPT, is of the view that the RPT is in the best interests of the Company, fair, reasonable and on normal commercial terms and not detrimental to the interests of the minority shareholders as the RPT is entered into on normal commercial terms and was necessary and required for the operations of the Company after the Divestment.

Statement by Directors

The Board of Directors, save for Mr. Maarten Stals, being the interested director, having considered the rationale and benefits of the RPT, is of the opinion that the RPT is in the best interests of the Company and not detrimental to the interests of the minority shareholders.

This Announcement is dated 14 December 2017.