POWERING UP

2023 ANNUAL REPORT

Hengyuan Refining Company Berhad

Registration No. 196001000259 (3926-U)

About This Report

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

An accompanying Sustainability Report has also been prepared and is available for viewing at *http://www.hrc.com.my/sustainability-report.html*. Pertinent information has been cross referenced for interested stakeholders.

The scope of our reporting covers the financial year from 1 January to 31 December 2023 and encompasses all material developments concerning HRC up until the approval of the annual financial statements.

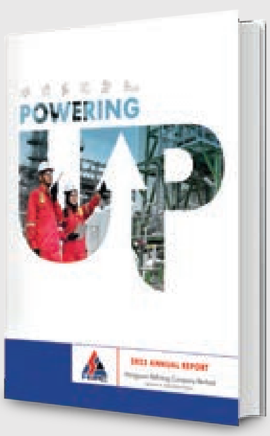
We have prepared our financial statements in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Malaysian Companies Act 2016. They also comply with the applicable disclosure provisions of the Main Market Listing Requirements of Bursa Malaysia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

Our financial statements have been audited by Messrs PricewaterhouseCoopers PLT, whose unmodified report is available on pages 89 to 94.

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

We Appreciate Your Feedback

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



POWERING UP

This year's bold and minimalist cover design highlights the focus on readiness to excel through a period of 'Powering Up' existing resources, which encompass manpower, systems, processes and governance. The image of the arrow in the white space is in sync with the theme and represents the harnessing of innovative and integrated thinking in advancing sustainable growth.

The Annual Report 2023 is available online at www.hrc.com.my

Scan here to view our Annual Report online

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Leadership

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AT A GLANCE

Business Highlights

Production Volume
32 million bbl

99.3%
Operational Availability

Workplace Highlights

3,498
Near Miss Potential Incident report submissions

ZERO
Work-related fatalities track record in **30 years**

Rolled out **People Programme** for a future-ready workforce

Successful completion of **major Turnaround** exercise **without Lost Time Injury** (LTI)

Sustainability Highlights

Recipient of the Prestigious **Prime Minister's Hibiscus Award (PMHA) 2021/2022** for Excellent Achievement in the Environmental Performance category

Winner of the **Gold Award** for the **Most Consistent Performer** Over Five Years at **The Edge Malaysia ESG Awards 2023**

Awarded **94%**, standing with **5 Stars** for **Critical Installation Facility** by the Chief Government Security Officer (CGSO) and the Malaysian Communications and Multimedia Commission

Completed ISO surveillance audit with zero non-conformance for:

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

Within a year challenged by volatility in oil prices, continued supply chain disruptions and an evolving energy landscape, Hengyuan Refining Company Berhad (HRC or the Company) focused on sustainable growth through turnaround and enhancements in transformation.

KEY FY2023 HIGHLIGHTS

The 2023 major Turnaround activity (TA 2023) was the year's key highlight, whereby the refinery was in a temporary suspension mode to enable activities such as maintenance, inspections, repairs, and upgrades to production assets and equipment to be carried out, in ensuring reliable, sustainable and efficient operation of our assets and equipment. With the joint efforts of the management and employees, this proactive approach had been successfully carried out within the stipulated timelines and costs. It helps manage safety risks, maintain regulatory compliance, and optimises the refinery's overall performance.

Alongside this, in FY2023, HRC achieved a reliability milestone, with a record low Unplanned Downtime (UPDT) of 0.68%, this puts us at par with other newer world class refineries under quartile-1 of the Solomon chart. The fact that this was achieved in a turnaround year, is a testament to the calibre of our workforce. I applaud each and every HRC employee for this achievement.

It is worth to highlight that the E4M project experienced a smooth and safe first year of operation with no major product quality or reliability issues, signifying its sustainable operational status. This successful commissioning and smooth operation of E4M has benefited HRC by increasing site margins.

Together with these operational achievements, in 2023 HRC received two prestigious awards that recognises the effectiveness of our sustainable initiatives. The first being the Prime Minister's Hibiscus Award 2023 for Excellent Achievement in Environmental Performance and the other was a gold award from The Edge Malaysia ESG Awards for Most Consistent Performer Over 5 Years.

ACTIVATING WORKFORCE MANAGEMENT ENHANCEMENTS

We regard our employees as key drivers of our success. Thus we launched the "People Programme" in 2023 to build a sustainable talent pool of skilled and committed employees who will enhance HRC's ability to swiftly respond to market changes, technological advancements, and shifting customer preferences in today's dynamic business environment. Through this programme, we aspire to nurture a responsive workforce that would empower us to navigate uncertainties effectively, and to capitalise on emerging opportunities.

More on this programme is detailed on page 33.

SUSTAINING SAFE WORKPLACE AND MINDSETS

Safety is paramount in our operations. In the dynamic and intricate environment of a refinery, prioritising safety isn't just a commitment; it's a responsibility. Our refinery has steadfastly adhered to the highest safety standards, achieving zero lost time injury (LTI) even amidst a busy turnaround year. Our unwavering dedication to creating a secure working environment pays off in achieving record high reliability performance. These achievements not only reflect our compliance with regulatory frameworks but also highlight our commitment to the well-being of our employees and the communities in which we operate. We remain vigilant in our pursuit of excellence in safety measures, ensuring that our refinery continues to be a model of responsible and sustainable operations.

IMPROVING COST OPTIMISATION FOR BETTER MARGINS

Our financial performance remains vulnerable to crude price, refined product price, and foreign exchange (forex) fluctuations caused by geopolitical forces and global economic changes. HRC was therefore vigilant in managing cash flows to ensure ongoing liquidity and identifying cost-saving opportunities.

Under HRC's Business Improvement Plan (BIP) strategies, eight tactics related to increasing processing capabilities and efficiencies were implemented that will result in about USD6.8 million savings in FY2024, depending on their utilisation.

ADVANCING SUSTAINABILITY AND ESG

Within the domestic economic landscape, the focus is gradually shifting to transitioning to a low-carbon economy. As such, HRC is also planning ahead to stay nimble and responsive to environmental regulatory changes that might require refineries to make necessary investments in technology and infrastructure in order to reduce emissions or to comply to stricter environment protection standards.

A significant stride in our ESG journey was made with the roll out of HRC's formal ESG framework in 2023. The framework outlines initiatives that support net zero aspiration such as the Energy Masterplan that will help minimise our carbon footprint. Through the Energy Masterplan, we have implemented initiatives to reduce carbon emission, adopt eco-friendly technologies to enhance resource efficiency, contributing to our broader commitment to environmental sustainability.

On the basis of stabilising our current oil refining business and maximising the value of our existing resources in the coming years, HRC is mindful of the growing demand for greener solutions around the world. We are continuously on the look-out for future opportunities in petrochemicals and renewable energy. In the meanwhile, enhancing our existing businesses remains a key part of our strategy. As such, in 2023 we have decided to proceed with the Flare Gas Recovery Unit (FGRU) project. The environmental benefits of the FGRU are primarily associated with the reduction of greenhouse gas emissions and additionally, helps to minimise the release of pollutants, conserve resources, and reduce the need for flaring - all of which contributes to the improvement of air quality.

GOVERNANCE AND INTEGRITY STEWARDSHIP

Our commitment to integrity and transparency remains unwavering. We have diligently kept pace with the reporting standards mandated by Bursa Malaysia. We strive to uphold the spirit of these standards, to extend our efforts beyond mere compliance, embracing them as integral components of our corporate governance and disclosure practices.

Additionally, we have also invested in employee training and development programmes to build awareness and expertise related to environmental stewardship, social responsibility, and ethical business practices. This contributes to fostering a workforce that is sustainability focused.

In pursuit of these values, we have engaged an external consultant to assist in the development of a robust ESG framework, ensuring our strategies are well-aligned with best practices. We understand the importance of such a framework in addressing the evolving landscape of climate-related challenges and opportunities, and are thus committed to providing stakeholders with timely updates regarding our climate-related financial exposures and strategies. The ESG award we earned from The Edge in 2023, acknowledges HRC's commitment to observing ESG principles and sustainability with consistent performance over five years.

FY2023 DIVIDENDS

Having assessed the cash flows prior to declaration of dividend, in compliance with the Companies Act 2016, the Board has deemed it prudent to not declare any dividends at this juncture, given the financial performance and volatility of the market.

MOVING INTO 2024

The industry is influenced by factors such as fluctuating commodity prices, geopolitical dynamics, rapid technological advancements, and increasing focus on climate change and sustainability. The macroeconomic outlook influenced by the US and China, the geopolitical tensions in the Middle East and the Eastern Europe, as well as the reactions from the Organisation of the Petroleum Exporting Countries (OPEC) will impact the oil and gas market demands. Within this challenging environment, we steadfastly adhere to our strategies, commitment and directional path to ensure a reliable and stable long-term supply of refined products to Malaysia.

To strengthen our operations in Malaysia, we focus on honing our competitive edge through operational excellence, reduced operational costs and a wider customer base. The roll out of the ESG framework and implementation of the People Programme are aimed at fostering a culture of innovation and continuous learning to adapt to new technologies and methodologies.

Braving the challenges brought on by climate change and the global trend of cleaner and renewable energy, we embrace cleaner technologies and sustainable practices in order to remain competitive and relevant in the market, as it is not only a necessity for environmental stewardship but also a strategic imperative for long-term business resilience.

By strategically aligning our business with sustainable practices, we believe that the anticipated impact on earnings will be positive in the longer term, contributing to economic growth and a more resilient future.

At our end, we are proactively managing risks associated with the transition, including potential regulatory changes, market disruptions, and technological advancements. By staying agile and responsive, we aim to mitigate risks and capitalise on emerging opportunities.

ACKNOWLEDGEMENTS

In closing, let us embrace change with gratitude for the past, and excitement for the future. On behalf of the Board, I would like to express our appreciation and gratitude to Puan Fauziah Hisham who resigned as our Director on 8 December 2023. With that, I welcome our new Director Ms Li, XiaoXia to contribute fresh perspectives and insights to the Board in our journey ahead. I also extend my heartfelt thanks to each member of our dedicated team.

The year's successful turnaround would not have been possible without the collective efforts of the leadership team and our valued employees. Their dedication and hard work form the bedrock of our accomplishments. We look forward to the shared triumphs and innovations that will undoubtedly emerge by advancing as ONE Hengyuan.

We also eagerly anticipate the new heights we will reach under the leadership of Mr Luke Yin who has joined the team as our new CEO. Finally, our appreciation extends to our valued customers, trusted partners, shareholders and community stakeholders, with the assurance that our priority towards delivering sustainable value, quality services and safe operations is unwavering. I look forward to continue serving you with passion and commitment.

Wang, YouDe
Chairman

OUR STRENGTHS

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

OUR HERITAGE

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

OUR ANCHOR

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

OUR COMMITMENT

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

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

OUR PEOPLE

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Wang, YouDe
Chairman
Non-Independent Non-Executive Director

Wang, ZongQuan
Deputy Chairman
Non-Independent Non-Executive Director

Alan Hamzah Sendut
Independent Non-Executive Director

Surinderdeep Singh Mohindar Singh
Independent Non-Executive Director

Tai Sook Yee
Independent Non-Executive Director

Li, XiaoXia
Independent Non-Executive Director
(Appointed on 8 December 2023)

BOARD AUDIT COMMITTEE
Alan Hamzah Sendut (Chair)
Surinderdeep Singh Mohindar Singh
Tai Sook Yee

BOARD NOMINATING AND REMUNERATION COMMITTEE
Surinderdeep Singh Mohindar Singh (Chair)
Wang, YouDe
Li, XiaoXia
(Appointed on 8 December 2023)

BOARD RISK MANAGEMENT COMMITTEE
Wang, ZongQuan (Chair)
Alan Hamzah Sendut
Tai Sook Yee

BOARD PROJECTS REVIEW COMMITTEE
Wang, ZongQuan (Chair)
Wang, YouDe
Surinderdeep Singh Mohindar Singh

BOARD TENDER COMMITTEE
Wang, YouDe (Chair)
Wang, ZongQuan
Alan Hamzah Sendut

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

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

Chua Chia Kee
(SSM PC No 202408000067/
MAICSA No 7078002)

AUDITORS
PricewaterhouseCoopers PLT
Level 10, Menara TH 1 Sentral
Jalan Rakyat
Kuala Lumpur Sentral, P.O. Box 10192
50706 Kuala Lumpur
Wilayah Persekutuan Kuala Lumpur
Tel : +603-2173 1188
Fax : +603-2173 1288

SHARE REGISTRAR
Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel : +603-2783 9299
Fax : +603-2783 9222
Email: is.enquiry@my.tricorglobal.com

AGM HELP DESK
Tricor Customer Service Centre
Unit G-3, Ground Floor
Vertical Podium
Avenue 3, Bangsar South
No 8, Jalan Kerinchi
59200 Kuala Lumpur

STOCK EXCHANGE LISTING
Main Board of
Bursa Malaysia Securities Berhad
Stock Name : HENGYUAN
Stock Code : 4324
Sector : Energy
Sub Sector : Oil & Gas Producers

REGISTERED OFFICE
Unit 30-01, Level 30, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel : +603-2783 9191
Fax : +603-2783 9111
Email: info@my.tricorglobal.com

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

CORPORATE OFFICE ADDRESS
Level 9, Menara Allianz Sentral
(NU Tower 1)
Kuala Lumpur Sentral
No 203, Jalan Tun Sambanthan
50470 Kuala Lumpur
Tel : +603-2780 1060

GENERAL BUSINESS PRINCIPLES

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

BUSINESS INTEGRITY

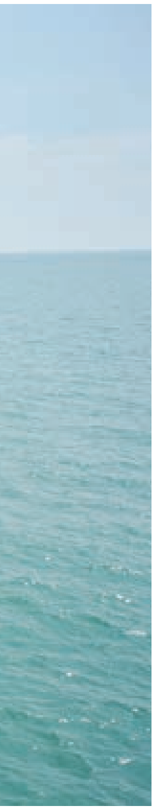
Upholding Integrity as a fundamental value, HRC places a strong emphasis on honesty, integrity, and fairness across all facets of our operations. We hold ourselves and our business associates to the same high standards. HRC is unwavering in its commitment to mitigating the risks associated with bribery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

Employees are strictly prohibited from receiving, soliciting, offering and giving anything of value, 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.

To prevent conflicts of interest between personal activities and their role in the Company's operations, employees must steer clear of such situations. They are obligated to declare and manage any potential or actual conflicts of interest. All business transactions must be accurately and fairly reflected and disclosed in the Company's accounts, adhering to 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.



LOCAL COMMUNITIES

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. We meticulously manage the social implications of our business activities, focusing on maximising positive outcomes and minimising any adverse effects.

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 local environment.

Our collaboration with diverse stakeholders amplifies the positive impact of our operations as we actively participate in community development initiatives. Recognising that our commitment extends beyond economic value creation, we actively support essential community services.

Acknowledging our role in societal matters, 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 strongly believes in transparency and accountability, consistently reporting on our performance. 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.

COMPETITION

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

COMMUNICATION AND ENGAGEMENT

HRC recognises that regular dialogue and engagement with our stakeholders 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.

ECONOMIC

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

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

COMPLIANCE

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

POLITICAL ACTIVITIES

A. Of Company

HRC operates with a strong commitment to social responsibility and compliance with the laws of Malaysia and the countries with which we engage. In pursuit of our legitimate commercial objectives, 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

In line with our dedication to community engagement, HRC supports and encourages employees to participate in community activities, fostering a sense of responsibility and well-being. 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.

This commitment reflects HRC's values and underscores our ongoing efforts to ensure a positive impact on the communities we serve.

FINANCIAL CALENDAR

2023

24 May
64th AGM

29 May
Unaudited financial results for the 1st Quarter ended 31 March 2023

28 August
Unaudited financial results for the 2nd Quarter ended 30 June 2023

28 November
Unaudited financial results for the 3rd Quarter ended 30 September 2023

2024

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

26 April
Notice of 65th AGM

28 May
65th AGM

NOTICE OF 65TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Sixty-Fifth Annual General Meeting ("65th AGM") of Hengyuan Refining Company Berhad ("the Company") will be conducted entirely through live streaming from the broadcast venue at **Zenith Junior Ballroom, Level M1, Connexion Conference & Event Centre, Nexus Bangsar South City, No 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia ("Broadcast Venue")** on **Tuesday, 28 May 2024** 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 2023 and the Reports of the Directors and Auditors thereon.

   [Please refer to Note (a)]

2. To re-elect the following Directors retiring in accordance with Article 81(c) of the Constitution of the Company, and who being eligible, have offered themselves for re-election:

   i) Mr Wang, YouDe **(Ordinary Resolution 1)**

   ii) Mr Surinderdeep Singh a/l Mohindar Singh **(Ordinary Resolution 2)**

   [Please refer to Note (b)]

3. To re-elect Ms Li, XiaoXia who is retiring in accordance with Article 81(h) of the Constitution of the Company, and who being eligible, has offered herself for re-election. **(Ordinary Resolution 3)**

   [Please refer to Note (b)]

4. To consider and if thought fit, to pass the following resolution: **(Ordinary Resolution 4)**

   "**THAT** KPMG PLT be and is hereby appointed as auditors of the Company for the financial year ending 31 December 2024 in place of the outgoing auditors, PricewaterhouseCoopers PLT 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 payment of Non-Executive Directors' fees and benefits of up to RM2,400,000.00 for the period from 1 June 2024 until 31 May 2025. **(Ordinary Resolution 5)**

   [Please refer to Note (d)]

NOTICE OF 65TH ANNUAL GENERAL MEETING

SPECIAL BUSINESS

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

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

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

[Please refer to Note (e)]

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

"**THAT** subject always to the Act, the Constitution of the Company, the Main Market Listing Requirements of Bursa Securities ("Listing Requirements") and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such number of issued shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:

i. the aggregate number of issued shares in the Company ("Shares") purchased ("Purchased Shares") and/or held as treasury shares pursuant to this Ordinary Resolution does not exceed ten per centum ("10 per cent") of the total number of issued shares of the Company as quoted on Bursa Securities as at point of purchase; and

ii. the maximum fund to be allocated by the Company for the purpose of purchasing the shares shall not exceed the aggregate of the retained profits of the Company based on the latest audited financial statements and/or the latest management accounts (where applicable) available at the time of the purchase,

("Proposed Share Buy-Back").

AND THAT the authority to facilitate the Proposed Share Buy-Back will commence immediately upon passing of this Ordinary Resolution and will continue to be in force until:

a. the conclusion of the next AGM of the Company following at which time the authority shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions;

b. the expiration of the period within which the next AGM after that date is required by law to be held; or

c. revoked or varied by ordinary resolution passed by the shareholders in a general meeting,

whichever occurs first, but shall not prejudice the completion of purchase(s) by the Company of its own Shares before the aforesaid expiry date and, in any event, in accordance with the Listing Requirements and any applicable laws, rules, regulations, orders, guidelines and requirements issued by any relevant authorities.

AND THAT the Directors of the Company be and are hereby authorised, at their discretion, to deal with the Purchased Shares until all the Purchased Shares have been dealt with by the Directors in the following manner as may be permitted by the Act, Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force:

i. To cancel all or part of the Purchased Shares;

ii. To retain all or part of the Purchased Shares as treasury shares as defined in Section 127 of the Act;

iii. To distribute all or part of the treasury shares as dividends to the shareholders of the Company;

iv. To resell all or part of the treasury shares;

v. To transfer all or part of the treasury shares for the purposes of or under the employees' share scheme established by the Company and/or its subsidiaries;

vi. To transfer all or part of the treasury shares as purchase consideration;

vii. To sell, transfer or otherwise use the shares for such other purposes as the Minister may by order prescribe; and/or

viii. To deal with the treasury shares in the manners as allowed by the Act, Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force.

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary or expedient, including without limitation, the opening and maintaining of central depository account(s) under Securities Industry (Central Depositories) Act, 1991, and the entering into all other agreements, arrangements and guarantee with any party or parties, to implement, finalise and give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities."

[Please refer to Note (f)]

NOTICE OF 65TH ANNUAL GENERAL MEETING

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

"**THAT** subject to the Listing Requirements, approval be and is hereby given for the Company to enter into recurrent related party transactions of a revenue or trading nature with the related parties as set out in Section 2.2.2 of the Circular to the Shareholders dated 26 April 2024 which are necessary for day-to-day operations and are carried out in the ordinary course of business on terms which are not more favourable to the related parties than those generally available to the public and are undertaken on an arms' length basis and not to the detriment of minority shareholders;

AND THAT the authority conferred by such mandate shall commence upon the passing of this resolution and continue to be in full force until:

(a) the conclusion of the next AGM of the Company at which this shareholders' mandate will lapse, unless by a resolution passed at the next AGM, the mandate is renewed;

(b) the expiration of the period within which the next AGM is required to be held pursuant to Section 340 of the Act (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(c) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is the earlier;

AND THAT the Board of Directors be and is hereby authorised to complete and do all such acts and things as it may consider expedient or necessary (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this mandate."

[Please refer to Note (g)]

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

BY ORDER OF THE BOARD

Ong Wai Leng (SSM PC No. 202208000633/MAICSA No. 7065544)
Chua Chia Kee (SSM PC No. 202408000067/MAICSA No. 7078002)
Company Secretaries

Dated this 26 April 2024
Kuala Lumpur

NOTES:

1. The 65th AGM will be conducted virtually through live streaming and online remote voting via Remote Participation and Voting ("RPV") facilities which are available on Tricor Investor & Issuing House Services Sdn Bhd's ("Tricor") TIIH Online website at *https://tiih.online*.

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

3. Shareholders may exercise their right to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at the 65th AGM via the RPV provided by Tricor via its **TIIH Online website at *https://tiih.online***.

   Please refer to the "Procedures for RPV" in the Administrative Guide for the Company's 65th AGM and take note of Notes (4) to (16) below in order to register, participate and vote remotely via the RPV facilities.

4. For the purpose of determining a member who shall be entitled to attend, vote and speak at the AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company a **Record of Depositors** as at **17 May 2024** 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.

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

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

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

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

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

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

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

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

    Members or proxies who have registered as a RPV user **must register to attend and participate at the AGM via RPV ("AGM Registration"). AGM Registration is open from Friday, 26 April 2024 up to Tuesday, 28 May 2024**. Please follow the steps contained in the "Procedures for RPV" section of the Administrative Guide for the Company's 65th AGM.

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

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

    (ii) By Electronic Form
    The proxy form can be electronically lodged via Tricor's TIIH Online website at *https://tiih.online*. Kindly refer to the Administrative Guide on the procedure for electronic lodgement of proxy form via TIIH Online.

    The last date and time for lodging the proxy form is **Sunday, 26 May 2024 at 10.00 a.m**. We recommend that the appointment of proxy be done as early as possible so that the appointed proxy has sufficient time to complete the AGM Registration.

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

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

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

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

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

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

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

NOTICE OF 65TH 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, No 2 and No 3**

Article 81(c) of the Constitution of the Company provides that one-third (1/3) or the number nearest to one-third (1/3) of the Directors for the time being, shall retire from office at the conclusion of every annual general meeting, provided always that all Directors shall retire from office at least once in every three (3) years, but shall be eligible for re-election. As the Board currently consists of six (6) directors, two (2) directors, i.e. Mr Wang, YouDe and Mr Surinderdeep Singh a/l Mohindar Singh, 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. Ms Li, XiaoXia was appointed as Independent Non-Executive Director of the Company on 8 December 2023, and she has offered herself for re-election at the 65th AGM.

In consideration of the three members of the Board Nominating and Remuneration Committee ("BNRC") will retire at the 65th AGM and have abstained from participating in deliberations and voting, the Board (save for the three retiring Directors) have discussed and considered the following aspects to determine the eligibility of each Director who stand for re-election at the 65th 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 2023 ("BEA 2023") 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 26 March 2024, the Board (save for the three retiring Directors) discussed and supported the re-election of the retiring Directors, with the following justifications:

Re-election of Mr Wang, YouDe as a Director of the Company

(i) He has a relevant mix of experience, skill, knowledge, expertise and core competency that is beneficial to the Company, including industry specific knowledge and oil and gas business strategy, project management and engineering, contracting and procurement, human resource and development, internal control and risk management;

(ii) He demonstrates and commands effective leadership of the Board, oversees effective decision-making process and ensures crucial alternatives are considered; and

(iii) He aims to ensure that the Board's workload is appropriately managed and, where suitable, allocated to established Board Committees with specific terms of reference approved by the Board.

Re-election of Mr Surinderdeep Singh a/l Mohindar Singh as a Director of the Company

(i) He has a relevant mix of experience, skill, knowledge, expertise and core competency that is beneficial to the Company, including human resource and development, accounting and finance, internal controls, corporate governance and information technology;

(ii) He has a good understanding of the duties, obligations and responsibilities as a director and provide useful recommendations in assisting the Board for a better decision making; and

(iii) As the Chair of the BNRC, he leads BNRC's annual evaluation of the Board composition to ensure that it has the appropriate size, balance and composition of the Board, the required mix of skills, experience and other qualities, the independence of the Independent Directors, Board diversity in terms of gender and age, and consideration of the Fit and Proper assessment, and core competencies which the Directors shall bring to the Board to ensure that they are in line with the Company's requirements.

Re-election of Ms Li, XiaoXia 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 banking, economics and finance, internal controls, risk management and human resource and development;

(ii) She has good understanding of the roles, duties and obligations of a director, adds value to board meetings and takes initiative to request for more information; and

(iii) She sufficiently identifies principal financial risks that may have a considerable impact on the Company and set the risk appetite to ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks.

c. **Ordinary Resolution No 4**

The Company has received a Notice of Nomination dated 15 April 2024 from its major shareholder, Malaysia Hengyuan International Limited, nominating KPMG PLT, as auditors of the Company for the financial year ending 31 December 2024 in place of the outgoing auditors, PricewaterhouseCoopers PLT. The proposed change of auditors is to ensure a more coherent and efficient external audit process as the holding Company is engaging KPMG PLT.

The Board Audit Committee and Board of Directors have considered the profile, adequacy of the resources, experience and fee proposal of KPMG PLT, and recommended the nomination of KPMG PLT as auditors of the Company.

KPMG PLT's appointment as the auditors of the Company is subject to the approval of the shareholders at the 65th AGM. The proposed Resolution No 4, if passed, KPMG PLT shall hold office until conclusion of the next annual general meeting of the Company.

A copy of the Notice of Nomination is annexed as "Appendix A" in the Company's Annual Report 2023.

d. **Ordinary Resolution No 5**

This resolution is to facilitate payment of Non-Executive Directors' fees and benefits for the period from 1 June 2024 to 31 May 2025.

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 2024 to 31 May 2025.

e. **Ordinary Resolution No 6**

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

This proposed Resolution is a renewal of the previous year's mandate. The mandate is to provide flexibility to the Company to issue new securities 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 64th AGM held on 24 May 2023 and will lapse at the conclusion of the 65th AGM to be held on 28 May 2024. As at the date of this notice, there is no decision to issue new shares. Should there be a decision to issue new shares after the general mandate is sought, the Company will make an announcement of the actual purpose and utilisation of proceeds arising from such issuance of shares.

f. **Ordinary Resolution No 7**

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

For further information, please refer to the Share Buy-Back Statement dated 26 April 2024 accompanying the Company's Annual Report for the financial year ended 31 December 2023.

g. **Ordinary Resolution No 8**

The proposed Ordinary Resolution 8 is to seek renewal of the Shareholders' Mandate and approval for the new Shareholders' Mandate to allow the Company and/or its subsidiaries to enter into Recurrent Related Party Transactions of a Revenue or Trading Nature and to enable the Company to comply with Paragraph 10.09, Part E of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The mandate will take effect from the date of the passing of the ordinary resolution until the next AGM of the Company unless it is revoked or varied at a general meeting. For further information, please refer to the Circular to Shareholders dated 26 April 2024 accompanying the Company's Annual Report for the financial year ended 31 December 2023.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

1. The profile of the Directors who are standing for re-election as per Agenda 2 and Agenda 3 of the Notice of the 65th AGM are as follows:

(i) PROFILE OF WANG, YOUDE

Chairman
Non-Independent Non-Executive Director
Age 61 - Chinese, Male

Date of Appointment
22 December 2016

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

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

Directorship of Other Listed Issuers/ Public Companies
None

Membership of Board Committees in HRC
- Chair of Board Tender Committee
- Member of Board Nominating and Remuneration Committee
- Member of Board Projects Review Committee
- Member of Board Whistleblowing Committee

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

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

(ii) PROFILE OF SURINDERDEEP SINGH A/L MOHINDAR SINGH

Independent Non-Executive Director
Age 55 - Malaysian, Male

Date of Appointment
23 February 2019

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

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

Directorship of Other Listed Issuers/ Public Companies
None

Membership of Board Committees in HRC
- Chair of Board Nominating and Remuneration Committee
- Chair of Board Whistleblowing Committee
- Member of Board Audit Committee
- Member of Board Projects Review Committee

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

Surinderdeep Singh Mohindar Singh does not hold any shares in the Company.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

(iii) PROFILE OF LI, XIAOXIA

Independent Non-Executive Director
Age 60 - Chinese, Female

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

Membership of Board Committees in HRC
Member of Board Nominating and Remuneration Committee

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

Li, XiaoXia does not hold any shares in the Company.

2. Kindly refer to the Explanatory Notes on Special Business - Proposed Renewal of Authority to Issue and Allot Shares Pursuant to Sections 75 and 76 of the Companies Act 2016 under Explanatory Note (e) of the Notice of AGM.

APPENDIX A

MALAYSIA HENGYUAN INTERNATIONAL LIMITED
马来西亚恒源国际有限公司

(Registration No.: LL12508)
(Labuan International Commodity Trading Company, Licensed by Labuan FSA License No.: LITC/17/0058)
Level 9, Menara Allianz Sentral (NU Tower 1), No. 203, Jalan Tun Sambanthan, Kuala Lumpur Sentral,
50470 Kuala Lumpur, MALAYSIA.
Tel: +60 3- 2780 1060

Date: 15th April 2024

Board of Directors
Hengyuan Refining Company Berhad
1 Jalan Pantai
71000 Port Dickson
Negeri Sembilan
Malaysia

Dear Sirs,
NOTICE OF NOMINATION ON CHANGE OF AUDITORS

Malaysia Hengyuan International Limited, being a member of Hengyuan Refining Company Berhad ("the Company") hereby give notice of our nomination of KPMG PLT as Auditors of the Company in place of the outgoing auditors, PricewaterhouseCoopers PLT and of our intention to propose the following resolution as an Ordinary Resolution to be tabled at the coming annual general meeting of the Company:-

Ordinary Resolution

"**THAT** subject to the receipt of the consent to act as auditors, KPMG PLT be and is hereby appointed as auditors of the Company for the financial year ending 31 December 2024 in place of the outgoing auditors PricewaterhouseCoopers PLT and to hold office until the conclusion of the next annual general meeting at a remuneration to be determined by the directors ".

Yours faithfully
For and on behalf of **MALAYSIA HENGYUAN INTERNATIONAL LIMITED**

Director

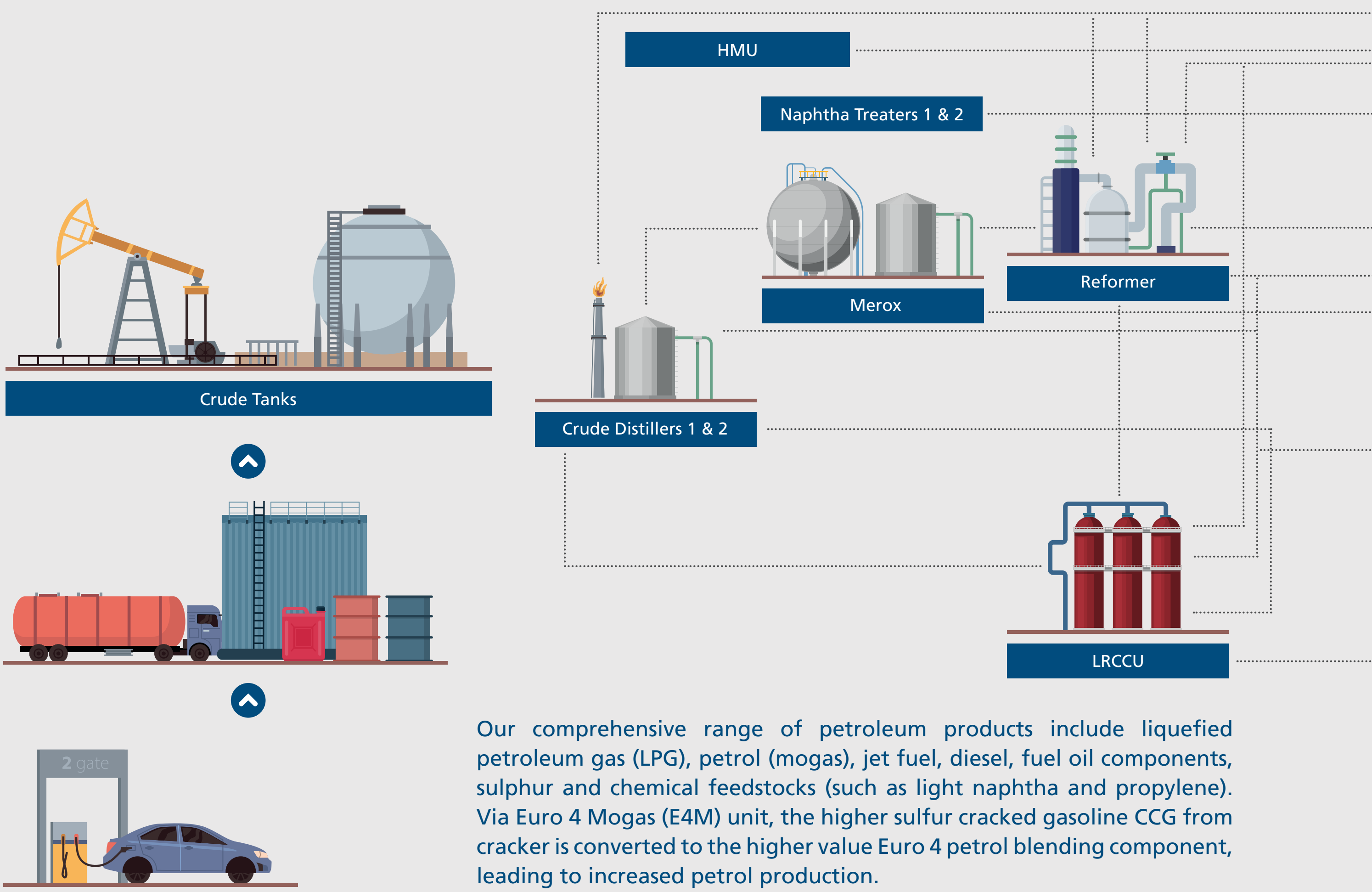
SCALING UP PERFORMANCE AND SUSTAINABLE IMPACTS

BUSINESS OVERVIEW

OUR BUSINESS

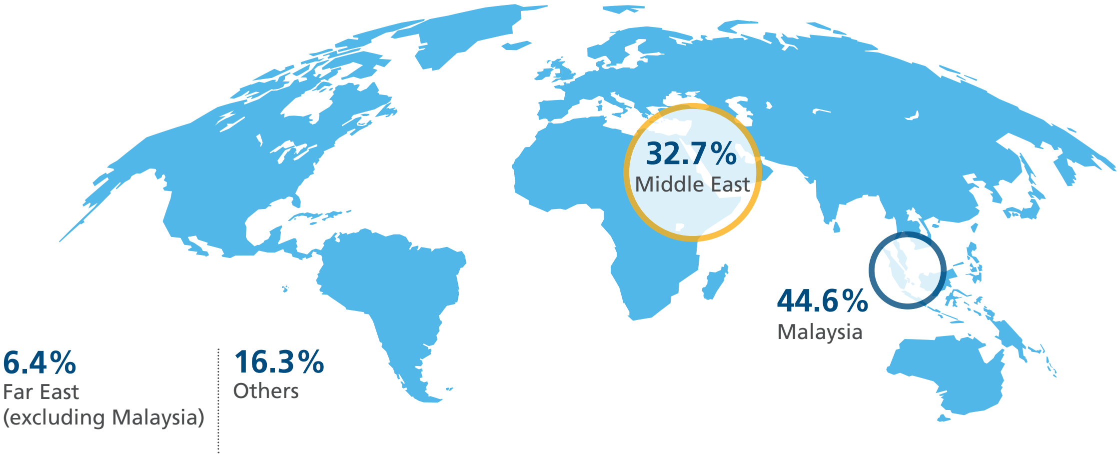
- Hengyuan Refining Company Berhad (HRC or the Company) stands tall as one of the largest refineries in Malaysia, providing significant fuel needs for the country since 1963.
- Based in Port Dickson, Negeri Sembilan, HRC has been operating for six decades and continues to play an integral and reliable role in the nation's oil and gas industry and to the surrounding community.
- We process crude oil from Malaysia and all over the world and have the licensed capacity to deliver up to 156,000 barrels per day of petroleum products to customers, mainly in Malaysia and Southeast Asia.
- Presently, our business activities are focused on refining and processing crude oil, refinery operations and maintenance, and supplying refined products to our customers.
- We supply through three channels: the multi-product pipeline to Klang Valley and KLIA, our truck loading gantry for local (West Malaysia) customers and exporting to vessels through our jetty to East Malaysia and overseas markets.
- Our plant is a complex refinery. The main operating units comprise of 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) to produce hydrogen, sulphur recovery unit, a Euro 4 Mogas unit that produces petrol and Euro 5 grade gasoil. These assets are well maintained with a strong focus on asset integrity, reliability and safety.

AN OVERVIEW OF HRC's REFINERY

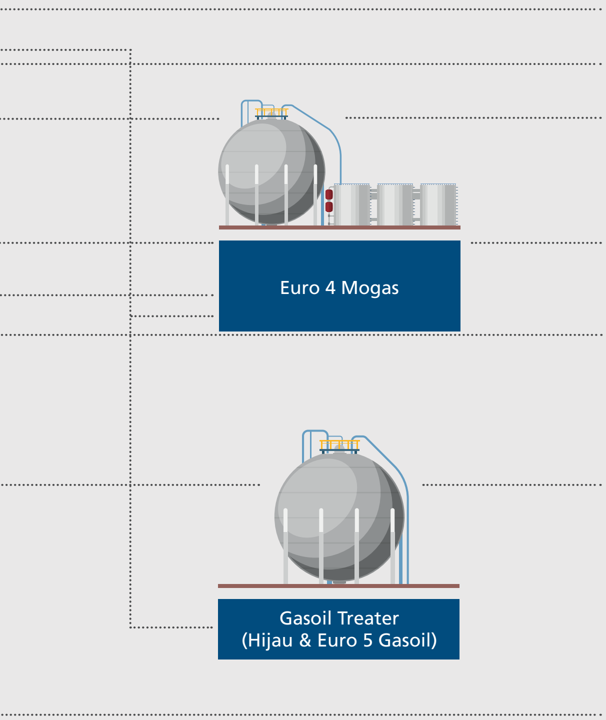


Our comprehensive range of petroleum products include liquefied petroleum gas (LPG), petrol (mogas), jet fuel, diesel, fuel oil components, sulphur and chemical feedstocks (such as light naphtha and propylene). Via Euro 4 Mogas (E4M) unit, the higher sulfur cracked gasoline CCG from cracker is converted to the higher value Euro 4 petrol blending component, leading to increased petrol production.

SOURCES OF CRUDE OIL



Note: The crude ratios fluctuate within our typical range, dependent on cargo availability in the market and their compatibility to our refinery processing requirements during that period of time.



Product Yield FY2023

Liquefied Petroleum Gas	5.9%
Propylene	2.9%
Light Naphtha	1.3%
Petrol	35.9%
Jet Fuel	9.5%
Diesel	40.5%
Fuel Oil Component	3.9%
Additional Molten Sulphur	0.1%

OUR STRATEGIC COMPASS

OUR VISION

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

OUR MISSION

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

OUR CORE VALUES

INTEGRITY

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

COLLABORATION

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

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

Together, these values form the **ICARE** acronym to make it easy for all employees to remember and adopt as a declaration of commitment that aligns personal values to those of the Company. The internalisation of these core values is intensified during employee engagements. In 2023, these values assumed a core role in the implementation of HRC's core major Turnaround activity (see page 35), Continuous Improvement Programme (see page 35) and People Programme (see page 33).

AIMING FOR HEIGHTENED STANDARDS AND TARGETS

MARKET CHALLENGES

2023 GLOBAL MARKET LANDSCAPE

Crude oil markets continued to experience volatility in 2023 due to geopolitical hostilities, global economics, and US interest rates hike. Numerous risks underlie the current relative calm. Continued conflict in the Eastern Europe prolonged for over a year, is now accompanied by the risk of protracted conflict in the Middle East. Underpinned by these factors, freight cost and crude oil premium remain elevated despite falling hydrocarbon cracks.

Periods of extreme weather are becoming a major hazard for energy security. The rapid emergence of renewable energy and new technologies are also emerging as market disrupters. The year ended with global solidarity on the COP28 agreement to transition away from fossil fuels which could cause significant impact on demand and supply, and trade and investment within the industry.

Despite these challenges, led by China's recovery in oil demand which accounted for 80% of this year's increase, global oil demand grew by 2.3 mbpd in 2023 and crossed the 100 mbpd mark for the first time in history. As a whole, global oil demand in 2023 was around 101.7 mbpd from 100 mbpd in 2022, and Brent's 2023 annual price averaged 18% YoY lower at USD82.49 per barrel (2022: USD100.93/b).

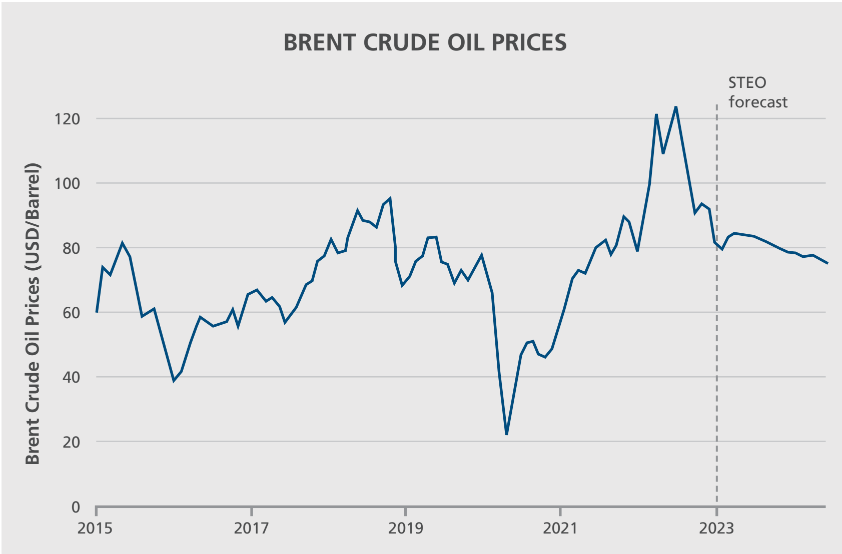
* The 28th Conference of the Parties of the United Nations Framework Convention on Climate Change (COP28) held in Dubai and concluded on 13 December 2023.

Sources:

- *World Energy Outlook 2024 (WEO)*
- *International Energy Agency Oil Market report*
- *Malaysian Institute of Economic Research*

THE YEAR'S CRUDE OIL PRICE PERFORMANCE

Brent Crude - Historical Annual Data					
Year	Average Closing Price	Year Open	Year High	Year Low	Year Close
2023	$82.49	$80.36	$97.10	$71.03	$77.39
2022	$100.93	$78.25	$133.18	$76.02	$82.82
2021	$70.86	$50.37	$85.76	$50.37	$77.24
2020	$41.96	$67.05	$70.25	$9.12	$51.22



2023 DOMESTIC MARKET LANDSCAPE

Within this backdrop, Malaysia's economy stayed resilient and delivered a gross domestic product (GDP) of 4%, supported by improved household income, the recovery of the global electronic cycle and resumption of global tourism. Analysts continue to forecast that Malaysia's oil and gas sector will stay buoyant in 2024, underpinned by resilient investment and oil prices. Malaysia's 2024 Budget is based on a Brent oil price assumption of USD85 per barrel, supported by continued production cuts from the Organisation of the Petroleum Exporting Countries (OPEC) at least until mid-2024, geopolitical uncertainties, anticipated diminishing supply growth from the United States in 2024, and restocking drive of the U.S. strategic petroleum reserve.

According to the International Energy Agency (IEA), world oil demand is expected to rise faster than expected next year, with world consumption forecasted to rise by 1.1 mbpd in 2024, buoyed by improvements in the outlook for the United States and barring further deterioration in the macroeconomic environment. The global upstream industry, for example, is projected to maintain its 2023 hydrocarbon investment level of about USD580 billion (an increase of 11% year over year) and generate over USD800 billion in free cash flows in 2024.

The continued financial strength of the industry is likely to raise expectations of investors, regulators, and other stakeholders, who may anticipate further progress in emissions reduction, augmented investments in low-carbon energies, and amplified returns for shareholders. These expectations may serve as a driving force, spurring companies to focus even further on both emission reduction and economic performance.

INDUSTRY OUTLOOK

(Based on the report from Deloitte, 'Potential disruptors in the oil and gas industry'):

GEOPOLITICAL UNCERTAINTY

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

EMERGENCE OF NEW TECHNOLOGY

- Majority of clean energy technologies remain under development
- Securing supply chain is imperative for upcoming technologies

MACROECONOMIC ENVIRONMENT

- High inflation is increasing material and technical costs
- Rising interest rate is driving 10-year treasury yields (in the United States) to their highest levels since 2007

Policy and regulatory initiatives:

- Net zero emission by 2050 targeted by 106 nations
- Governments worldwide allocated USD1.34 trillion in clean energy since 2020
- Nearly 200 parties reached historic agreement during COP28 to transition away from fossil fuels, triple renewable energy and increase climate finance for the most vulnerable

The 2024 oil and gas industry outlook is shaped by five trends and industry drivers that are expected to play an important role in shaping the strategies and priorities of oil and gas companies in the upcoming year:

Energy Transition
Prudently allocating capital and effectively executing clean energy policies

Critical Minerals
Participating in the energy transition by securing a position in the supply chain to tackle perceived end-market risks

Global Energy Trade
Embracing the growing dynamism in energy trade and relationships

Technology Adoption
Harnessing the power of generative AI for innovative solutions and new value creation

Downstream Industry
Revamping the refining industry in alignment with evolving demand patterns

FY2023 STRATEGIC REVIEW

BUSINESS STRATEGY

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

While the refinery assets went through a major Turnaround in 2023 (TA 2023), it was a timely year for a workforce turnaround too, to refuel a strong group identity post-transition, and boost commitment towards achieving organisational sustainability goals as ONE Hengyuan. In keeping up with an increasingly competitive industry, and staying ahead of the curve, the groundwork for a comprehensive People Programme was laid during the year.

Core Values of Collaboration and Respect were exemplified in the development of the programme, as employees were engaged in identifying gaps towards the creation of a more rewarding and fulfilling workplace. With the People Programme, we can also realign individual goals with ESG targets that will motivate employees to actively contribute to the Company's sustainability and social responsibility objectives.

During the year, an action plan was developed to address areas of opportunities in organisational effectiveness, talent development and total rewards, as we embarked on fortifying a resilient and future-ready workforce.

Through these efforts in creating a more rewarding workplace, as well as due to the commitment of our staff during the TA 2023, turnover rates for 2023 decreased significantly from 14.37% in FY2022 to 7.96% in FY2023.

Strategic Initiative 1

The implementation of HRC's People Programme for a future-ready organisation

> **Our success depends on the investments we make for a highly trained, flexible, engaged, and motivated workforce.**

Within the dynamic and increasingly competitive landscape of Malaysia's refining industry, talent retention and development has become a prime commodity, as the world undergoes unprecedented changes, driven by factors such as technological advancements, evolving consumer preferences, and the global shift towards sustainable practice.

In 2023 HRC developed a People Programme with an action plan tailored towards building a culturally aligned and future-ready organisation. This strategic endeavour aims to harmonise the workforce with the demands of the contemporary business environment, fostering resilience and adaptability, while ensuring employee loyalty and satisfaction. This means empowering our employees and providing the right operational framework for them to develop and achieve satisfaction.

The established People Programme is anchored on the following core purpose statements:

RE-BUILD
group identity, and achieve organisation goals as ONE Hengyuan with unlocked synergies and seamless collaboration.

RE-CURATE
employee centric experience and thriving workforce with the unwavering support from leaders and employees to strive towards sustainable business growth.

RE-IMAGINE
work to operate with efficiency and align to group vision and mission, to strengthen market competitiveness for future success.

The People Programme was rolled out in the last quarter of 2023, with the Human Resource department organising three Company-wide employee engagement sessions to brief employees on key milestones of the modules that form the People Programme such as organisation structure & manpower; grading structure & career pathway; rewards; and performance management.

The progress of these plans shall continue to be updated in subsequent dedicated People Programme engagement sessions in 2024 to ensure good employee engagement and transparency in developing performance recognition incentives, as well as opportunities to advance career trajectory and establish competitive remuneration packages.

Strategic Initiative 2

Retaining and attracting talent to build a sustainable talent pool

Drawing out from the People Programme, a key initiative that HRC has embarked on is the transition to a structured and robust Performance Management System (PMS) that will allow us to continuously manage and improve employees' performance, and ultimately to achieve organisation success. "Leveraging Performance as a Powerful Tool in Delivering Business Results" workshop was rolled out in January 2024 for Leadership Team and Departmental Heads to provide an overview in equipping our leaders with the knowledge, skills, and necessary tools to effectively manage and improve the performance of the team. The Human Resource department will roll out similar workshops in 2024 to the rest of the employees on cascading departmental KPIs to individual goals.

By prioritising ESG considerations in our operations, we expect to see positive results in employee satisfaction, motivation, and overall transformation. On the recruitment front, we leverage on this commitment to observe ESG principles and sustainability to help us attract and retain top talents, who prioritise purpose-driven work.

Supporting our recruitment drive, HRC has remained committed to progressing ongoing initiatives such as the Graduate Programme, where six graduates have been absorbed as employees upon completion of the five-year programme. HRC has also welcomed 13 interns in 2023.

FY2023 STRATEGIC REVIEW

Strategic Initiative 3

Enhance employees' learning and development in sustainability

Upskilling in sustainability enables our employees to understand and implement more efficient technologies and processes that will help reduce carbon footprint. Employees with sustainability skills are better prepared to navigate and contribute, as global awareness and regulations around environmental impact intensify, and the industry faces increasing pressure to adopt sustainable practices.

Therefore, we have taken steps to continuously invest in employees' training and development programmes in the aspects of ESG as well to further build their expertise related to environmental stewardship, social responsibility, and ethical business practices. This contributes to employee transformation by fostering a workforce that is sustainability focused.

2024 People & Leadership Priorities:

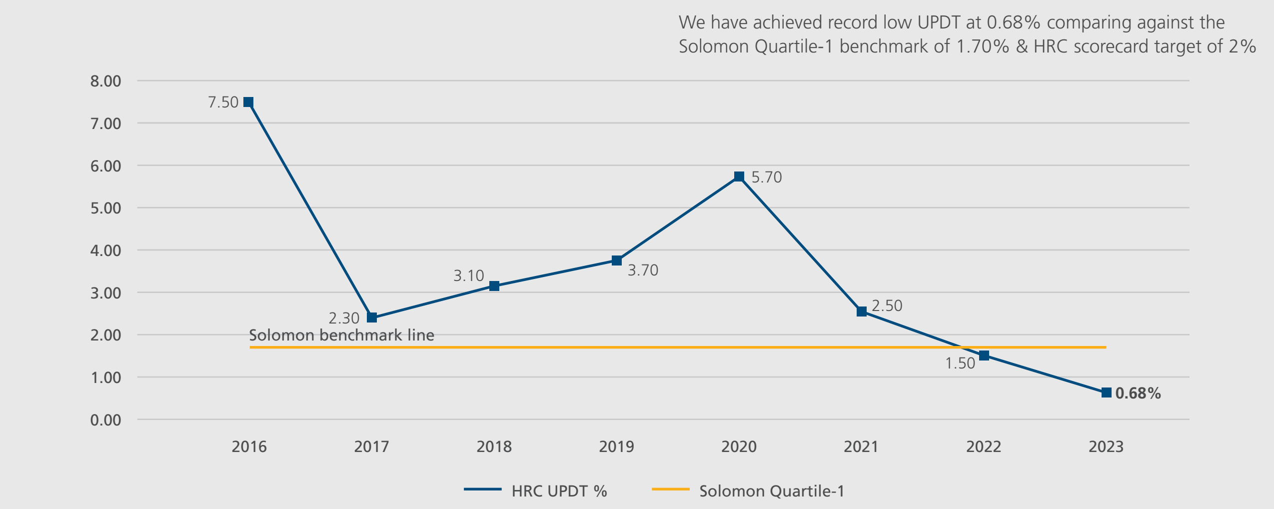
- Continue to implement People Programme initiatives for enhanced workforce management and employee engagement
- Nurturing and preparing talents for future leadership roles through the people development programme, supported by the leadership development programme
- Launch an employer branding programme through career fairs and university visits to attract potential talents
- Implement wellness programmes to support the physical and mental well-being of our employees

For more details on our Human Resource initiatives, please refer to pages 55 to 64 of our Sustainability Report 2023.

OPERATIONAL EXCELLENCE

Working together as a team, and displaying core values of Integrity, Collaboration and Entrepreneurial, in 2023 HRC recorded an exemplary achievement of 0.68% unplanned downtime (UPDT) amidst a Turnaround year. Achieving this historic low UPDT is remarkable in a year when most of the equipment were reaching their end-points in operating reliability, and chances of potential breakdown are highest. This has placed our refinery operations under quartile-1 Solomon category of below 1.70%, with world class plant availability at 99.30%. Moving forward, we are committed to sustain our reliability performance to continue meeting our refinery's KPI scorecard and the Solomon benchmark. This will keep our refinery operating at an optimum level and ready to increase our throughput whenever there is a market opportunity to operate higher in order to gain additional margin.

HRC UNPLANNED DOWNTIME SCORECARD



Strategic Initiative 1

Champion Asset Reliability and Integrity Management

We credit the year's reliability achievement to the strong team spirit as employees from various disciplines adhered to formalised processes and responsibilities to realise continuous reliability improvement as embedded within HRC's Annual Reliability Plan and Site-wide Asset Masterplan.

The execution of the plan included weekly Area Reliability Team (ART) sessions where employees from various departments discussed specific threats to their discipline and ensured that these threats are tracked and mitigated. During the monthly Reliability Steering Team (RST) meetings, top threats were then prioritised in our review of site reliability issues and improvement plans. A Production Run Limiter tracking was introduced as part of the RST agenda to ensure potential threats are monitored and mitigated. A site-wide Asset Masterplan (AMP) work practice was also developed and approved to formalise the process.

As a result of the proactive monitoring by the Reliability Team, when the TA 2023 window opened up a timely opportunity to resolve identified refinery threats, we were able to significantly reduce total active threats by 49.70%.

For more details on our Reliable Operations and Production, please refer to page 40 of our Sustainability Report 2023.

Strategic Initiative 2

Deliver an optimised and successful TA 2023

Our major Turnaround was executed smoothly, notwithstanding the challenge of performing extensive inspection on hundreds of equipment, and simultaneous handling of other emergent works. It was thus with pride that HRC achieved a safe, leak-free, and flawless re-startup with all units operating without incident in the shortest possible time. Turnaround, shutdown and start-up were executed seamlessly without any major product quality issues or safety incidents. More importantly, the successful execution of TA 2023 ensures that the refinery can be safely operated for another five-year cycle.

A notable outcome is our crude distiller unit CD2, tested able to process a new record high throughput between unit design, from 12.5kt/d to 14.5kt/d. Unit integrity has been checked by our professional colleagues and assured with green light for the go ahead. It is now under close proactive monitoring and in readiness to process higher crude run whenever necessary.

The E4M unit which was completed in 2022, received the Certificate of Completion and Compliance (CCC) during the year and began operations without any safety incidents and with all products meeting the rundown specification.

All product quality targets for the year were met at HRC's laboratory too as products were tested on-specifications with no delays related to starting-up. A score of above 95% was achieved in the Global Proficiency Testing Scheme (GFPS) that the lab participated in to give assurance to our customers on the testing accuracy of our results. We achieved higher ratings for FY2023 in the annual customer satisfaction survey scores, a testament to our commitment to continuous improvement.

For more details on our Product Quality, please refer to pages 21 and 22 of our Sustainability Report 2023.

Strategic Initiative 3

Continue with the implementation of the Continuous Improvement Programme

In parallel with building capabilities, leadership support and programme stewardship, HRC's Continuous Improvement (CI) programme forms a platform for the Company's overall operational excellence programme. It provides end-to-end business process focus for the delivery of operational cost savings and effectiveness improvements.

The ongoing continuous improvements are intended to reduce operational cost, align processes to best practices, meet customers' needs and requirements, while increasing employee engagement and HRC's human net worth. Through CI, HRC continues to build traction, maintain focus, and be resilient in committing to perform better by delivering marked improvements.

FY2023 STRATEGIC REVIEW

Strategic Initiative 3 (continuation from previous page)

Guided by a roadmap that was supported by the Management, the following CI milestones were achieved in FY2023:

QUARTER 1, 2023:

- **CI governance framework and blueprint in place**
  Upon completion of pre-programme assessment, HRC scored an operational excellence maturity level at 3.0 out of 5.0 with a Lean Diagnostics score of 14.8 out of full score of 20. This provided understanding of current issues and gaps to refine an effective CI Blueprint strategically aligned to HRC's business plan and Operational Excellence Framework. The blueprint provides a detailed execution plan supported with governance and programme monitoring mechanism.

- **Appointment and onboarding of 12 Quality Champions**
  The Quality Champions have defined roles and responsibilities to drive the implementation and leverage CI in their departments.

- **Launch of CI poster design**
  Staff were engaged through the CI Poster design competition to harness more ideas and perceptions, while enhancing Company-wide awareness.

QUARTER 2, 2023:

- **Conducted focus group discussions**
  Sessions were conducted with various departments to identify success measurements of effectiveness and efficiencies. These were captured in a value chain process chart on the Targeted Organisation Capability Map.

QUARTER 3, 2023:

- **Training module development**
  Customised training contents, tools and processes were developed for the Kaizen programme which provides quality awareness, skills and knowledge needed for specific implementation adoption.

QUARTER 4, 2023:

- **Kaizen programme development**
  The Kaizen programme has also been devised and developed to reach out to all staff to find areas for improvement that will ensure the refinery's overall success.

Strategic Initiative 4

Encourage pursuit of margin improvement tactics

Even amidst the added pressure of TA 2023 activities, HRC continued to deliver on our Business Improvement Plan (BIP) in the stipulated time, due to the hard work and dedication of our employees.

A total of eight BIP tactics were executed during the year to enhance the margin of the refinery. These will be operationalised in FY2024 towards an estimated potential savings of around USD6.8 million, depending on their utilisation. The BIP tactics will result in an increase in refinery crude oil processing capability, reduce product quality giveaways, increase gas oil production, and crude diversification to allow us the flexibility to choose cheaper crudes.

Moving forward into 2024, nine more tactics are set as target for execution, with the potential to encash margins of USD5.2 million in 2025 depending on utilisation.

2024 Operational Excellence Priorities:

- Execute nine identified 2024 BIP tactics
- Deliver identified strategic project especially SBM (single buoy mooring) changeout and anchor chain replacement to eliminate integrity risks associated with ageing marine assets

HSSE & COMPLIANCE

FY2023 was deemed a challenging year for HRC's Health, Safety, Security and Environment (HSSE) performance due to TA 2023. The execution of extensive scopes to be completed safely within a stipulated timeframe amplifies safety and security risks due to the influx of contractors and activities within the refinery. During the peak of TA 2023, there were almost 2,000 workers on-site. Through systematic HSSE management, coupled with good planning and escalation in safety awareness training, HRC's TA 2023 was delivered safely with zero Lost Time Injury (LTI). Multiple visits by authorities were also managed with no fine nor penalty issued to HRC.

There were nine (9) incidents of accidental injury across the year with two (2) instances requiring the resetting of HRC's No Harm Days counter to zero. We also recorded one (1) American Petroleum Industry (API) Tier 1 and four (4) API Tier 2 Process Safety Events (PSE) during the year. All events were investigated and assessed during the incident investigation review sessions.

Strategic Initiative 1

Strive for HSSE excellence and assurance

HRC is committed to advocate best practices in our industry and lead by example. The implementation is via ISO 45001(2018), which is internationally recognised for Occupation, Safety and Health Management System (OSHMS). During the year, as HRC was the winner of the National Council for Occupational Safety and Health (NCOSH) award in 2019, we were proud to be interviewed by the National Institute of Occupational Safety and Health (NIOSH) for research on developing an adaptive assessment tool for Occupational Safety and Health (OSH) culture in Malaysia. The interview was conducted in September 2023.

Several audits were successfully concluded in 2023. After being audited by the Chief Government Security Officer (CGSO) and the Malaysian Communications and Multimedia Commission, HRC was awarded 94%, with 5 stars for Critical Installation Facility. Upon this achievement, HRC was invited to attend a high-tea session as appreciation for employing good practices in our operations.

HRC also participated in the Prime Minister's Hibiscus Award (PMHA) 2021/2022 cycle. The aim of the award is to present an opportunity for public recognition of business and industry's environmental accomplishment, excellence and leadership that showcases sustainability excellence in Malaysia. The assessment concluded in 2023, and HRC won the Excellent Achievement Award in Environmental Performance which is the top tier recognition award in the programme.

On the assurance front, HRC had successfully conducted the Surveillance Audit by SIRIM for Integrated Management System (IMS) – ISO 9001, ISO 14001, ISO 45001 and received SIRIM's recommendation for the continuation of certification. It was concluded that HRC has maintained and implemented the Integrated Management System (IMS) with five Opportunities for Improvement (OFI) received during the audit.

In addition, Site Internal Assurance was enhanced with four work processes audit completed in 2023, as we re-created pools of qualified auditors for our own periodic on-site checks.

Strategic Initiative 2

Delivery of safe TA 2023, without injury and HSSE incident

Preparations for a safe and secure TA 2023 began with the goal of delivering HSSE excellence and a clear target to achieve and attempt to surpass HRC's HSSE KPI scorecard. A structured plan was put in place encompassing structured protocols such as daily HSSE meeting and daily HSSE walkabout during TA period for assuring and discussing HSSE matters and concerns. The plan leveraged on the HSSE Reward System & Consequence Management Framework with initiatives such as the HSSE Contractor Award to encourage excellence in safety intervention and compliance.

To establish a safe work site for all workers, a systematic onboarding programme for selected contractors was introduced whereby a dedicated TA HSSE Plan for each main contractor was prepared. Closer supervision and site verification were trained on high risk jobs to start the job safely, with the right footing. Close focus was given to Confined Space Entry (CSE), Lifting, High Pressure Water Jet (HPWJ), Mercury Handling and Management, as well as Scheduled Waste and Effluent Management.

On-site, additional Security and Entry Management protocols were implemented to manage the expected high volume of new and foreign workers.

Core-TA training session and continuous safety programmes were also organised to establish understanding and encourage interventions. We stayed agile and responsive, and conducted a TA 2023 campaign on Life Saving Rules (LSR), Near-miss & Potential Incident (NMPI) Intervention Heroes and HSSE Contractor Awards throughout the Turnaround period. All campaigns were aimed to enhance worker's understanding and offer rewards for safe working practices.

FY2023 STRATEGIC REVIEW

Strategic Initiative 3

Sustain a Safety Culture through HSSE events, trainings and drills

The year saw an upsurge of activities and events towards building a safety culture. Some of the key initiatives conducted to help create constant awareness of safety goals were as follows:

- **Annual Safety Day**: The year's engaging safety event, themed "Embrace Health, Embed Safety" involved a virtual day segment and closed with a HRC FUN RUN 2023 in the evening, attended by more than 100 employees and contractors. Online activities included:
  - **"New Year New You: Jom Sihat" forum** with a medical panelist from Mahkota Medical Centre.
  - Prize giving ceremony for pre-event fun games such as **"HSSE Hunt"** and the **"Clash of Clan" fitness challenge**.
  - Video presentations on pre-event blood donation drive and health checks.
  - **"I Do Inspire" Creative Speech Competition** to encourage effective safety communication while advocating positive recognition and healthy intervention culture.
  - Crowning the winners for **CEO HSSE Award of the Year** for their extraordinary intervention.
- **Health Week 2023:** Introduced in the last quarter of 2023, the theme for the year's Health Week was "Flex Your Muscle, Free Your Mind". The Health Week addressed the well-being of employees by bringing to them activities that can help promote a healthier lifestyle. These comprised a virtual physio and mental health talks that attracted many viewers, as well as a health exhibition with various booths on mini physiotherapy treatment, terrarium plant making and first aid demonstration.
- **Daily Goal Zero Walk**: These walks centred on different themes of key process assurance, arranged for each day of the week, with involvement from different departments.

  The themes were:
  - Process Safety Field Observation
  - Permit to Work (PTW) & HSSE
  - Ensure Safe Production and Process Isolation
  - Reliability
- **Intervention:** With the onset of TA 2023 execution, a target of 2,000 NMPI reporting was set to encourage on-site intervention. A new high of 3,498 reports were received for the year, due to the increase in workers during the Turnaround, with the added inclusion of appointed contractors and contract staff. Even with the influx of reports, a high 96% closure rate was achieved. Instead of the monthly CEO award, NMPI heroes were awarded on a weekly basis throughout the TA 2023 period.
- **Training Programmes**: A total of 92 training sessions had been conducted, attended by 3,053 personnel, comprising not only HRC employees but also contractors who have been trained on health and safety standards in 2023. These training modules include the new iCARE4Safety, emergency response awareness, hearing conservation, ops safety, pre-TA (contractors inclusive), fire watcher and defensive driving.
- **Fire Drills**: A total of 20 Tier 1 fire drills and four Tier 2 drills involving about 500 participants were held during the year to ensure continued preparedness in 2023. A major Tier 2 Evacuation Drill was organised in collaboration with BOMBA to test our Emergency Response Plan and Loss of Building Business Continuity Plan (BCP) at HRC's main office.

Strategic Initiative 4

Heighten the Company's maturity in process safety excellence

Improvement initiatives for HRC's Process Safety Management (PSM) framework continue to be implemented. Two improvements were introduced in FY2023.

Under Pillar 1 **Commit to Process Safety** ("Workforce Involvement"), an update was done in the risk assessment template to ensure a minimum workforce participation quorum for hazard assessment. This was extended for specific hazards which requires expertise of niche disciplines to be involved in the assessment. Under Pillar 3 **Manage Risk** (Training & Performance Assurance), a mandatory training programme was developed for HEMP Critical Positions. The programme includes an assessment to ensure that workers demonstrate they have understood the training and can apply it in practical situations. The full training programme is to be rolled out in 2024 site-wide.

Process Safety Campaign was conducted successfully from 20 February to 16 March 2023 with the theme "Together We Can Eliminate Process Safety Incidents" to increase frontliner awareness on managing the integrity of operating systems and processes which could result in a major incident. Activities included face-to-face engagement sessions with various departments, information booths on many aspects of process safety, as well as a LFI (Learning from Incident) booth for employees to learn on past incidents that happened in HRC and other sites that are applicable to HRC.

There were three fire events and three loss of primary containment (LOPC) Process Safety events, with one of the fire event exceeding API Tier 1 threshold. All have been investigated, with recommendations from learning outcomes captured, shared site-wide and centrally tracked within the iMax incident management and reporting platform.

THEME: TOGETHER WE CAN ELIMINATE PROCESS SAFETY INCIDENTS

Key Milestones (20 February to 16 March 2023)

1st ENGAGEMENT
- Between 20 to 23 Feb – internal communication to announce the Process Safety event, followed by group engagement sessions to discuss PS9F.

2nd ENGAGEMENT
- Between 28 Feb to 2 Mar – group engagement sessions to discuss on SCE.

3rd ENGAGEMENT
- Between 6 to 9 Mar – group engagement sessions to discuss Process Hazard Analyses.

4th ENGAGEMENT
- Between 13 to 15 Mar – group engagement sessions to discuss Process Information.

CAMPAIGN MAIN EVENT (16 March 2023)
- 4 mini booths
  - Site LFIs
  - PS Processes
  - Inspection Processes
  - Major Turnaround related
- Closing event

PRE – EVENTS (ENGAGEMENT SESSIONS)

Pre-event activities were held in small groups as majority of our refinery personnel work in shifts. This enabled effective interactions as topics are made relevant to the groups' work function. We adopt the Learn From Incident (LFI) model in our engagement for an educational and impactful learning session. To make these sessions fun and interactive, games and quizzes were held as well. The events achieved an optimal level of reach site-wide.

For more details on Process Safety, please refer to pages 29 and 30 of our Sustainability Report 2023.

2024 HSSE & Compliance Priorities:
- Upholding compliance to HSSE compliance and legal requirements at all times
- Revival of on-site System Assurance programme which covers periodic health checks, internal and external audit

FY2023 STRATEGIC REVIEW

STAKEHOLDER VALUE

The sustainable value delivery focus for the year centred on supporting the smooth and successful completion of TA 2023. This ensures resilient and proactive compliance with governing procedures and regulations, while we continue on our journey to optimise HRC's supply chain activities and implement cost optimisation strategic initiatives.

Mindful of oil price volatility, geopolitical tensions, and to ensure the requirement for TA 2023 purchases are met, we worked to optimise HRC's supply chain activities and implemented more cost saving as well as cost optimisation strategic initiatives. These included engaging a wider selection of vendors, implementing proper cost controls, improving negotiations and staying agile and responsive in protecting our margins. Outside of operations, we remained committed to be socially responsible in our business affairs and make a positive contribution to our local community through better engagements and long-term social investment.

Strategic Initiative 1

Drive overall product value improvement initiatives

In the first half of 2023, China's reopening effect on the market and the recovery of domestic demand within China, reduced export volume to the east. We imported 41.7kt residue in the first quarter of 2023 by producing more mogas for HRC in view of strong mogas cracks. We continued maximising high gasoil yields crudes to capture the high gasoil value. Other key initiatives taken to increase overall product value include maximising the product cut corresponding to the cracks level. For instance, mogas was strong particularly in the first two quarters of the year, while jet started to pick up in the third quarter. The production plan was in sync with this movement. We continued selling combined cycled oil (CCO) with a nimble quality price escalator and de-escalator formula to favourably reflect CCO value when pooled as fuel oil while still providing a viable optimisation room to capture the gains from higher CCO processing into gasoil 10ppm in actual daily operations. Subsequently following poorer mogas crack in the last quarter, we ran the LRCCU at lower run rates to minimise mogas production and kept maximising middle distillates production throughout 2023.

Strategic Initiative 2

Enhance supply chain quality, reliability and efficiency

HRC is committed to supporting local businesses and has made a tangible impact on the community, contributing to its growth and sustainability. During TA 2023 we prioritised the selection of local vendors wherever it made sound business sense. However in our operations, sourcing the right vendors and having a diversified supply network benefits HRC as an operating entity in the long run. In recent years we have explored contracts with a wider market to ensure the most competitive market contracts are obtained while meeting our quality expectations and sustainability standards. Suppliers from new markets such as South Korea, Japan, and Germany, Swiss and China have been added to our pool in seeking the best deals for HRC.

We will continue to explore international vendors of good quality and high reputation yet offering competitive pricing. Other initiatives to enhance the supply chain operations include closely monitoring contract status by initiating inter-department collaborations; negotiating with current contractors for cost savings; sourcing substitutes of equal effectiveness but lower price; improving warehousing stock accuracy to 98% through the cyclical counting method of checks and balances; and targeting on time delivery by working closely with end-users.

For more details on our Supply Chain Management, please refer to pages 38 and 39 of our Sustainability Report 2023.

Strategic Initiative 3

Continuous engagement with stakeholders

HRC remains committed to community well-being and environmental stewardship. Our initiatives reflect our dedication to transparency, safety, and collaboration, aligning with both regulatory requirements and the expectations of our valued fenceline communities. Throughout FY2023, we actively collaborated with local government bodies and communities, ensuring that our operations align with environmental safety standards and meet community expectations. These efforts were aimed at fostering trust and building an ongoing dialogue with the community.

CIMAH (Control of Industrial Major Accident Hazards) compliance and stakeholder engagement. We continued to uphold our commitment to environmental safety and community expectations through proactive engagement and compliance with CIMAH regulations. In March 2023, HRC conducted a dedicated Turnaround engagement session aligned with CIMAH regulations. The session aimed to enhance transparency by sharing insights into HRC's operations and TA 2023 activities. Discussions covered potential hazards, emergency plans, and environmental impacts, demonstrating our commitment to safety and regulatory compliance.

Fenceline community engagements

Recognising the importance of local input, we conducted engagements with fenceline communities to gather feedback, share information, and collaboratively address specific concerns. These interactions play a vital role in building understanding, fostering collaboration, and resolving challenges that may impact the community.

Community feedback mechanism

HRC encourages open communication with the public, and in FY2023, we received only one public complaint regarding noise emissions from the refinery. The concern was promptly investigated, leading to immediate repairs to address the issue. This underscores our dedication to addressing community concerns promptly and effectively.

Community upliftment initiatives

In addition to regulatory compliance, HRC actively contributed to community upliftment in 2023. The 'Hengyuan Berkat' festive contributions were extended to over 240 families in need. Collaborating with a non-government organisation (NGO) partner, we participated in the My Kasih Care programme. Further, we supported local B40 students through a "Back to School" programme and participated in an E-waste collection initiative in collaboration with the Department of Environment on Earth Day 2023.

Strategic Initiative 4

Fostering a greener Port Dickson through collaboration with the local Municipal Council

As part of our commitment to environmental sustainability and in alignment with our aspiration to achieve net-zero emissions by 2050, HRC collaborates with the local Port Dickson municipal council (MPPD). This partnership, established as a public-private initiative, is dedicated to supporting Port Dickson's mission of becoming a Low Carbon City by 2030, mirroring our own environmental goals. Through this public-private partnership, we have also contributed valuable insights toward the shared objective of sustainable development in Port Dickson. These sessions serve as a platform for aligning strategies and fostering a holistic approach to environmental responsibility with key stakeholders in the region.

A tangible outcome of this collaborative effort is the transformation of an open space area en route to the HRC refinery into a vibrant pocket park. This initiative not only enhances the local landscape but also provides the public with a green recreational space. Our commitment to this initiative reflects our dedication to playing a vital role in contributing to the city's local framework plans and green objectives near the refinery.

By actively engaging in these initiatives, HRC reinforces its commitment to being a responsible corporate citizen, contributing to the overall well-being of the communities in which we operate.

For more details on our Community Engagement initiatives, please refer to pages 65 to 67 of our Sustainability Report 2023.

2024 Stakeholder Value Priorities:
- Negotiate term crude oil supply to secure 60-70% of feedstocks requirement
- Continue diversifying our pool of hydrocarbon suppliers and customers
- Continue to maximise refinery margins
- Develop more robust community engagement initiatives to address social needs and contribute positively to local communities

FY2023 STRATEGIC REVIEW

FUTURE FOCUS

Staying future ready in an ever evolving industry requires staying nimble and agile to change. We have successfully executed phase 1 of HRC's Energy Masterplan and in 2024 we will be doing the preparatory work for 2025 and 2026.

Going forward, we will work towards balancing energy production and security, with the stewardship of the environment. Through the establishment of our ESG Framework towards net zero carbon emission by year 2050, we now have a roadmap that provides an opportunity to build value and increase the efficiency of our operations.

Strategic Initiative 1

Initiating the Flare Gas Recovery Unit project

Recovering flare gas is essential for reducing our carbon footprint and promoting environmental sustainability. We are actively pursuing the Flare Gas Recovery Unit (FGRU) project with a firm commitment to recovering as much flare gas as possible for internal use. This project aims to recover the high value hydrocarbon gases from flaring and reducing carbon emissions to the atmosphere. By recovering flare gases generated during normal and routine operations instead of burning them to atmosphere, the FGRU will utilise these gases as an energy source which will improve energy efficiency and reduce carbon emissions.

This project represents one of several strategic initiatives designed to help us achieve our ambitious goal of net zero carbon emissions by 2050.

Strategic Initiative 2

Enhancing energy efficiency through further execution of the Energy Masterplan

In 2023, HRC achieved its best energy performance in the past 10 years, surpassing its 2023 target with an actual energy efficiency index (EII) of 104.8 versus target of 106.8. This was a result of steadfast execution of HRC's long-term Energy Masterplan.

Efforts were directed towards continuous optimisation of overall refinery energy consumption to ensure the most optimal energy mix is being utilised at any one time. We developed 2023 EII targets for each process unit (within the refinery) to encourage better ownership and drive towards energy optimisation. The successful execution of Turnaround 2023 has also helped to restore the overall plant performance enabling greater equipment efficiency.

As a result of our focus on better energy management, HRC successfully completed four projects during the TA 2023 as per the Energy Masterplan roadmap that has enabled us to improve energy efficiency at site by reducing energy consumption. The projects were as follows:

- F-3201 Boiler Retubing
- CO Boiler Economiser Cleaning
- Replacement of Plat-2 Feed Effluent Exchanger
- Replacement of CD-2 F-190 Air Preheater

For more details on our Energy Management initiatives, please refer to pages 48 and 49 of our Sustainability Report 2023.

2024 Future Focus Priority:

- Preparatory work for 2025 and 2026 Energy Masterplan initiatives

FINANCIAL REVIEW

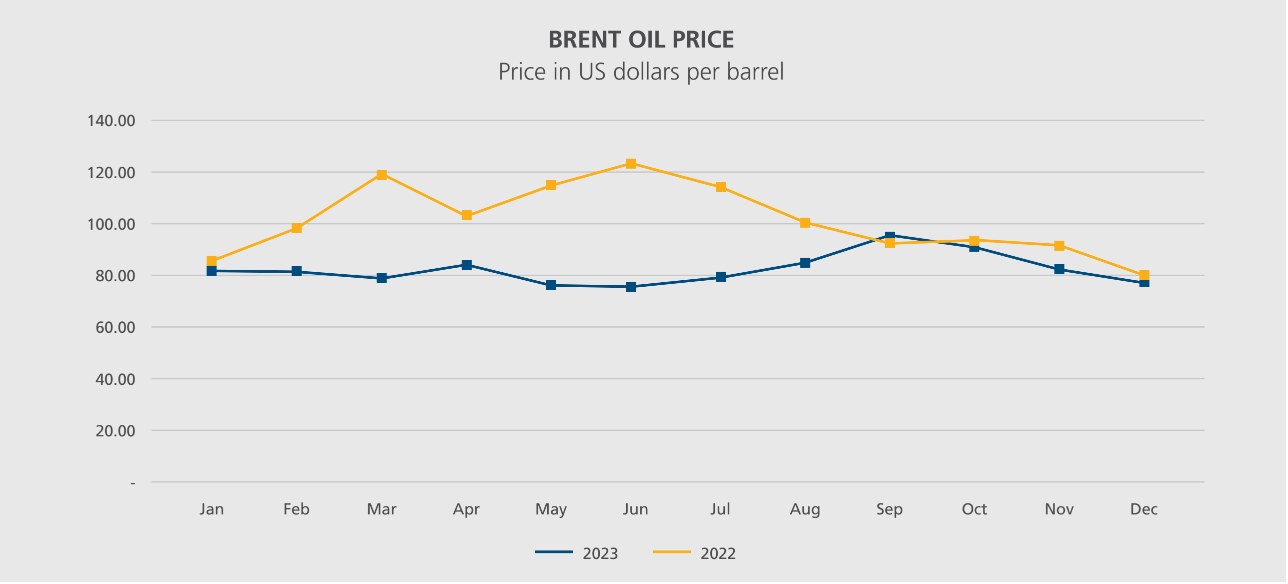
MARGIN AND FINANCIAL PERFORMANCE

In the year under review, the Company reported a loss after tax of RM488.60 million as compared to loss after tax of RM157.60 million in the previous financial year. Refining margins continued to remain volatile during the year resulting in a full year oil margin of USD0.40/bbl (FY2022: USD1.05bbl), including the effects of cracks and commodity swaps. Further analysis of the financial performance is as follows:

REVENUE AND GROSS MARGIN

The Company recorded a total revenue of RM15.40 billion in FY2023 compared to RM21.10 billion in FY2022. The decrease in revenue by RM5.70 billion resulted from a 17.50% decrease in average product prices and 14.30% decrease in sales volume, which was affected by both the spillover effect of scheduled maintenance undertaken in December 2022 to early 2023, as well as the Major Turnaround (TA 2023) undertaken in July and August 2023.

Due to plant constraints as highlighted above, production declined as compared to FY2022. This hampered the Company's ability to maximise its margin for FY2023. In addition, volatility of Gasoil and Jet A1's cracks especially impacted by the adverse movement in the second quarter of 2023, coupled with hedging losses, further led to gross loss to RM0.1 billion (FY2022: gross profit of RM0.3 billion).



In FY2023, the price of Brent crude oil held at an average of USD83/bbl, which was USD18/bbl lower than its corresponding FY2022 average. The crude oil price remained relatively stable throughout FY2023, ranging between USD75/bbl and USD94/bbl, as compared to FY2022.

Amidst fear of global recession since FY2022, the crude oil price in the first quarter of 2023 was further depressed by the collapse of US regional banks in March 2023. Nevertheless, April 2023 had seen a brief hike in the crude oil price after the announcement on oil production cut made by the Organisation of the Petroleum Exporting Countries (OPEC) members. However, weak market sentiment over the global economy drove the crude oil prices down during the second quarter of 2023. Higher global oil demand and additional voluntary production cut by Saudi Arabia and Russia in the third quarter of 2023 propelled the prices upward, reaching a peak at USD94/bbl in September 2023. Despite that, looming concerns in the fourth quarter of 2023 over the global economic growth caused a further drop in the crude oil prices to USD78/bbl in December 2023.

FINANCIAL REVIEW

OPERATING INCOME AND EXPENSES

Other income reduced by 38.30% as compared to FY2022 due to non-recurring liquidated damages claimed. A 6.90% increase in manufacturing expenses during the financial year was mainly attributable to planned maintenance activities carried out to coincide with the TA 2023 exercise. Meanwhile, administrative expenses decreased by 13% due to RM12.10 million non-recurring impairment of equipment made in FY2022.

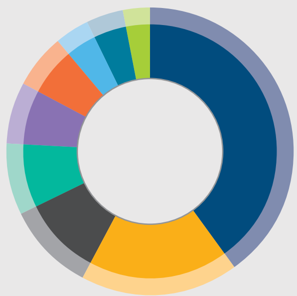
Higher depreciation and amortisation charges, with an increase of 27.40%, arose from the completion of TA 2023 in the third quarter of 2023 and major projects i.e. Hydrogen Manufacturing Unit and Euro 4 Mogas in FY2022. On the other hand, other operating gains recorded in FY2023 was mainly contributed by favourable mark-to-market effects on commodity swap, offset by unfavourable exchange rate movement. Finance cost continued to be affected by the interest rate hike, especially on the USD denominated loans. Taxation in FY2023 was recognised to the extent that it is probable that future taxable profits will be available for utilisation prior to the expiry of the tax benefits.

TOTAL ASSETS AND LIABILITIES

Total assets decreased by RM984.20 million or 14.90% from the previous financial year. Details of total assets of RM5.60 billion in FY2023 are set out below:

- Carrying amount of fixed assets i.e. property, plant and equipment, intangible assets and right-of-use assets of RM2.20 billion comprises:

CARRYING AMOUNT OF FIXED ASSETS



The valuation basis of these assets is as stated in our accounting policies.

- The Company's current assets mainly comprise of inventories, receivables and bank balances. Current assets decreased from RM4.30 billion to RM3.30 billion, a drop of 22.70% as compared to FY2022. The decrease is mainly due to lower receivables, inventories and bank balances as at year end.

Total liabilities decreased by 19.30% or RM1 billion from RM5.20 billion to RM4.20 billion in FY2023. Further details are set out below:

- Current liabilities mainly comprise of payables and borrowings. Trade payables mainly relates to payables for crude purchases. Lower liabilities is largely due to settlement of derivative financial liabilities, coupled with lower crude payables.
- Non-current liabilities mainly comprise of medium term notes, which are repayable over a five (5)-year period, denominated in RM and are secured by way of charges on the Company's assets.

CASHFLOW

Cash balance held as at year end remained above RM1 billion to cater for crude purchases payment and working capital.

DIVIDENDS

The Board of Directors assessed the cash flows prior to declaration of dividend in compliance with the Companies Act 2016. The Board has formed the view that it would not be prudent for the Company to declare any dividends at this juncture, given the financial performance and volatility of the market. Hence no dividends have been declared for the financial year ended 31 December 2023. The Board will continue to review the dividend prospects, while considering the long-term value creation for its shareholders. HRC's Board had on 30 August 2022 approved the Dividend Policy for adoption by the Company.

FY2023 KEY PERFORMANCE INDICATORS (KPIs)

Our KPIs assess the performance of the Company across all aspects of operations in a balanced Business Performance Scorecard. Non-financial indicators include measures of production and reliability, safety, commercial relevance, sustainability and governance. Financial indicators cover margin, financial performance and return on investment. Additional KPIs tied to sustainability are elaborated in our Sustainability Report 2023 which is available on our website at *http://hrc.com.my/sustainability-report.html.*

KPI SCORECARD		2023	2022	2021	2020	2019
SAFETY	Lost Time Injuries (LTI)	**0**	1	0	1	0
	LTI Free Manhours Worked	**5.2**	2.5	6.9	3.0	10.1
	Process Safety Events (API Tier 1)	**1**	0	0	1	0
	Process Safety Events (API Tier 2)	**4**	3	1	2	2
	First Aid Cases (FAC)	**7**	3	2	6	6
PRODUCTION & RELIABILITY	Operational Availability %	**99.3**	93.7	96.9	95.4	96.3
	Unplanned Downtime (UPDT) %	**0.7**	6.2	2.5	4.6	3.7
	Production Volume (million bbl)	**32.0**	37.8	35.0	34.2	38.8
MARGIN & FINANCIAL PERFORMANCE	Gross Profit/(Loss) Margin (USD/bbl)	**(1.0)**	2.5	7.2	2.7	3.3
	Sales Volume (million bbl)	**34.0**	39.7	36.3	35.1	41.9
	Revenue (RM million)	**15,399**	21,142	12,006	7,176	12,637
	Profit/(Loss) After Tax (RM million)	**(489)**	(158)	83	251	35
	Cash Generated From/(Used In) Operations (RM million)	**(25)**	17	224	435	1,259
	Quick Ratio	**0.5**	0.6	0.6	0.9	0.8
RETURN ON INVESTMENT	Shareholders' Funds (RM million)	**1,403**	1,374	2,052	2,168	2,011
	Earnings/(Loss) Per Share (sen)	**(163)**	(53)	28	84	12
	Return on Average Capital Employed (times) (EBIT/(Average total assets-average current liability)	**(0.2)**	(0.1)	0.1	0.1	-
SUSTAINABLE DEVELOPMENT	**Natural Resources**					
	Energy Intensity Index (EII) (Target =106.8)	**104.8**	113.8	113.1	116.9	110.9
	Effluents - Average Oil in Water Concentration (avg mg/l)	**3.3**	1.0	0.6	1.7	1.0
	Raw Water Consumption (Million m^3)	**2.1**	1.8	1.9	1.9	1.7
	Waste Management					
	• Effluent Water Discharge (Million m^3)	**2.5**	2.5	2.0	1.9	1.4
	• Effluent Treatment Plant (ETP) Sludge (MT)	**99**	509	196	328	305
	• Spent Oil Water Emulsion (MT)	**243**	342	774	1,102	1,374
	Public Complaints	**1**	3	1	10	5
	Social/Community Project Investment (RM'000)	**25.3**	32.0	26.2	19.6	66.2

RISKS & OPPORTUNITIES

COMPANY-RELATED RISKS AND OPPORTUNITIES

The Leadership Team and Board of Directors review HRC's extensive risk assessment matrix quarterly via the Board Risk Management Committee. This matrix covers all major risks and opportunities, allowing HRC to pinpoint and evaluate the Company's risks and establish preventive actions beforehand. This proactive approach guarantees our preparedness to manage any emerging risks.

Asset Integrity Risks - The oil refining sector is subject to various inherent risks, including those tied to asset integrity, process safety, and personnel safety. In response to these challenges, HRC not only adopts and continuously enhances best practices but also undertook a major Turnaround exercise in 2023 (TA 2023) to further bolster asset integrity and ensure operational efficiency.

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. This was exemplified in the execution of TA 2023, the preparation for which began in 2022 as it required major internal planning and coordination with various departments. Pre-assessment of risks and mitigating responses ensured the smooth completion of the project without any major product quality issues or safety incidents. Ongoing evaluations are still being carried out to manage any emerging risks post-completion.

Margin and Commercial Risks - As an independent refinery, HRC faces volatility in oil refining margins and oil prices. To mitigate these uncertainties, HRC has implemented strategies to limit our vulnerability to sudden oil price shifts through selective hedging against crude price fluctuations and, refining margins. Additionally, to ensure ongoing operations and sustainability, HRC has reduced reliance on any single client by expanding our customer base among various oil and gas firms domestically and internationally over recent years. Furthermore, recognising financial risks, HRC has also adopted measures to manage credit, liquidity, forex and market risks, ensuring financial stability and resilience.

Climate Change & Other Environmental Risks - We are committed to using resources and energy efficiently to reduce our environmental impact. Our internal policies support active management of our environmental footprint. Moreover, HRC acknowledges climate change as a significant risk that could affect our business. By identifying and evaluating related risks and opportunities, we aim to maintain long-term sustainability. Consequently, we have incorporated "Climate Change from HRC businesses" into our comprehensive Risk and Opportunity Register for ongoing monitoring and risk mitigation, which is reviewed quarterly by Management and examined by the Board of Risk Management Committee and Board of Directors. Climate-related projects are evaluated by the Board Projects Review Committee.

In response to the challenges posed by climate change, what began as a task force has now evolved into a formalised format under the sustainability governance structure that was established in 2023. Under this structure, the Sustainability Steering Committee (represented by the Leadership Team) provides strategic direction on aligning our initiatives with the objective of achieving net zero carbon emissions by 2050 and have an oversight on matters related to ESG as well. Supporting this Steering Committee is the Sustainable Working Group, which is tasked with implementing various initiatives related to sustainability and ESG. Broadly, the efforts include initiatives to reduce HRC's greenhouse gas emissions and integrate sustainability into our business operations. Priorities for FY2023 include advancing the Energy Masterplan and developing strategies for further reduction of the carbon footprint.

Cleaner Energy (opportunity) - HRC has observed an increasing demand for cleaner energy and a possible decline in the need for hydrocarbon-based transport fuels. In response, strategic planning has been directed towards exploring future investment opportunities in petrochemicals and renewable or alternative energy sources, supplementing our established foothold in the hydrocarbon products market.

MOVING FORWARD INTO 2024

The oil and gas sector is anticipated to confront multiple obstacles, such as fluctuating oil prices, heightened competition from renewable energy alternatives, and more stringent emission regulations. While these challenges persist, oil and gas demand is projected to stay robust in the short to medium term, especially in developing nations experiencing population and economic growth.

In the coming year, we aim to enhance HRC's revenue and profitability through the following initiatives:

- Continue to actively manage and maintain agreements for crude oil purchases and sales of oil products, including gasoline, gasoil, and jet fuel, with our current vendors and clients.
- Increase inland sales by strengthening relationships with our current partners, welcoming additional new customers, and broadening our existing distribution networks.
- Enlarge HRC's regional presence, especially by diversifying our crude supply sources to optimise profit margins.
- Optimise regional supply opportunities to customers where it proves to be economically beneficial. The one-year term contract on sale of propylene to a major oil & gas company in Thailand that was signed in February 2024 exemplifies the intention of how HRC aims to expand our supply in the region.

Moving forward, HRC is dedicated to consistently provide value to our shareholders and stakeholders through the following key initiatives:

Optimising organisational strength through the HRC's People Programme - The HRC People Programme is designed to optimise our workforce capabilities, foster a culture of innovation and adaptability, and ensure that our team is equipped to meet the challenges of tomorrow.

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. This ongoing initiative underscores our belief that our people are our most valuable asset, and by investing in their growth and development, we are building a future-ready organisation poised for continued excellence.

Implementing the Sustainability and ESG Framework to meet regulatory requirements - Adhering to this established framework, HRC's focus for 2024 is to meet the enhanced sustainability reporting requirements that have been outlined by Bursa Malaysia Securities Berhad, which deems the following eleven (11) indicators as material:

Anti-Corruption	Health and Safety	Water
Community/ Society	Labour Practices and Standards	Waste Management*
Diversity	Supply Chain Management	Emissions*
Energy Management	Data Privacy and Security	* By FYE 31 December 2024

As these disclosure items fall under the jurisdiction of various departments, implementation will be led by the Sustainability Working Group, represented by employees from different departments. Additionally, we will continue to hold Sustainability Steering Committee meeting to ensure that the initiatives that have been outlined in the framework are implemented accordingly.

Planning for Phase 2 of the Energy Masterplan - We are now working towards planning for Phase 2 of the Energy Masterplan. The Masterplan is an important component that supports HRC to achieve Net Zero by 2050, and one of the key initiatives which we are working on in 2024 is the implementation of the FGRU Unit, which is a significant step to reducing HRC's carbon footprint.

Planning ahead for Euro 5M product specifications - The next phase for sustainable growth would be preparation and planning for Euro 5M product specifications which is scheduled for compliance by 2025 to 2027. The groundwork planning involves technology evaluation and selection of front-end engineering design (FEED).

Executing the BIP to boost margins - With all major projects launched and operational, HRC is poised to increase our revenue by transforming lower-value products into higher-value products. We are dedicated to implementing specific BIP tactics to boost margins in 2024. These include strategies such as diversifying crude types, expanding site capacity, further unlocking gas oil production constraints, and achieving fuel savings.

To ensure meticulous oversight of all initiatives undertaken by various departments, we have established a Portfolio Management Unit. This unit is tasked with closely monitoring the progress and implementation of all committed initiatives, ensuring alignment with our overarching business goals.

STRENGTHENING MARKET COMPETITIVENESS FOR FUTURE SUCCESS

BOARD OF DIRECTORS' PROFILES

WANG, YOUDE
Chairman
Non-Independent Non-Executive Director

Chinese	Age 61	Male

Board Meeting Attendance in 2023
5/5

Date of Appointment
22 December 2016

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

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

Directorship of Other Listed Issuers/ Public Companies
None

Membership of Board Committees in HRC
- Chair of Board Tender Committee
- Member of Board Nominating and Remuneration Committee
- Member of Board Projects Review Committee
- Member of Board Whistleblowing Committee

WANG, ZONGQUAN
Deputy Chairman
Non-Independent Non-Executive Director

Chinese	Age 61	Male

Board Meeting Attendance in 2023
5/5

Date of Appointment
22 December 2016

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

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

Directorship of Other Listed Issuers/Public Companies
None

Membership of Board Committees in HRC
- Chair of Board Risk Management Committee
- Chair of Board Projects Review Committee
- Member of Board Tender Committee

ALAN HAMZAH SENDUT

Independent Non-Executive Director

Malaysian	Age 64	Male

Board Meeting Attendance in 2023
5/5

Date of Appointment
25 May 2017

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

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

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

Directorship of Other Listed Issuers/Public Companies
- Hong Leong Islamic Bank Berhad
- Khyra Legacy Berhad
- Velesto Energy Berhad

Membership of Board Committees in HRC
- Chair of Board Audit Committee
- Member of Board Risk Management Committee
- Member of Board Tender Committee
- Member of Board Whistleblowing Committee

SURINDERDEEP SINGH MOHINDAR SINGH

Independent Non-Executive Director

Malaysian	Age 55	Male

Board Meeting Attendance in 2023
5/5

Date of Appointment
23 February 2019

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

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

Directorship of other Listed Issuers/ Public Companies
None

Membership of Board Committees in HRC
- Chair of Board Nominating and Remuneration Committee
- Chair of Board Whistleblowing Committee
- Member of Board Audit Committee
- Member of Board Projects Review Committee

BOARD OF DIRECTORS' PROFILES

TAI SOOK YEE
Independent Non-Executive Director

Malaysian	Age 61	Female

Board Meeting Attendance in 2023
5/5

Date of Appointment
1 November 2022

Academic Qualification
Certified Public Accountant, Malaysian Institute of Certified Public Accountants

Professional Membership
- Member of the Malaysian Institute of Accountants (MIA)
- Member of the Malaysian Institute of Certified Public Accountants (MICPA)
- 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, heavy building materials, industrial supply chain, maritime, port & logistics, and oil & gas businesses, with:
  - IMC Pan Asia Alliance Group (2007-2019), as:
    - Chief Operating Officer, OCTAVE Institute (2018-2019)
    - Executive Director, AITIA Institute (2016-2020)
    - Group Managing Director, IMC Industrial Group (2012-2016)
    - Head of Chairman's Office, IMC Pan Asia Alliance Group (2009-2012)
    - Head of Group Strategies and Investments, IMC Pan Asia Alliance Group (2007-2009)
  - CEMEX Malaysia, as Country Director (2003-2007)
  - RMC Group Services, as Regional Controller, IMEA (India, Middle East, Asia) (2001-2003)
  - Golden Plus Holding Holdings Berhad, as General Manager, Finance & Corporate Services (1992-2001)
  - Bumiputera 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 Direcor (2010-2012)

Directorship of Other Listed Issuers/Public Companies
- Hume Cement Industries Berhad

Membership of Board Committees in HRC
- Member of Board Audit Committee
- Member of Board Risk Management Committee

LI, XIAOXIA
Independent Non-Executive Director

Chinese	Age 60	Female

Board Meeting Attendance in 2023
N/A *(no meeting conducted after her appointment)*

Date of Appointment
8 December 2023

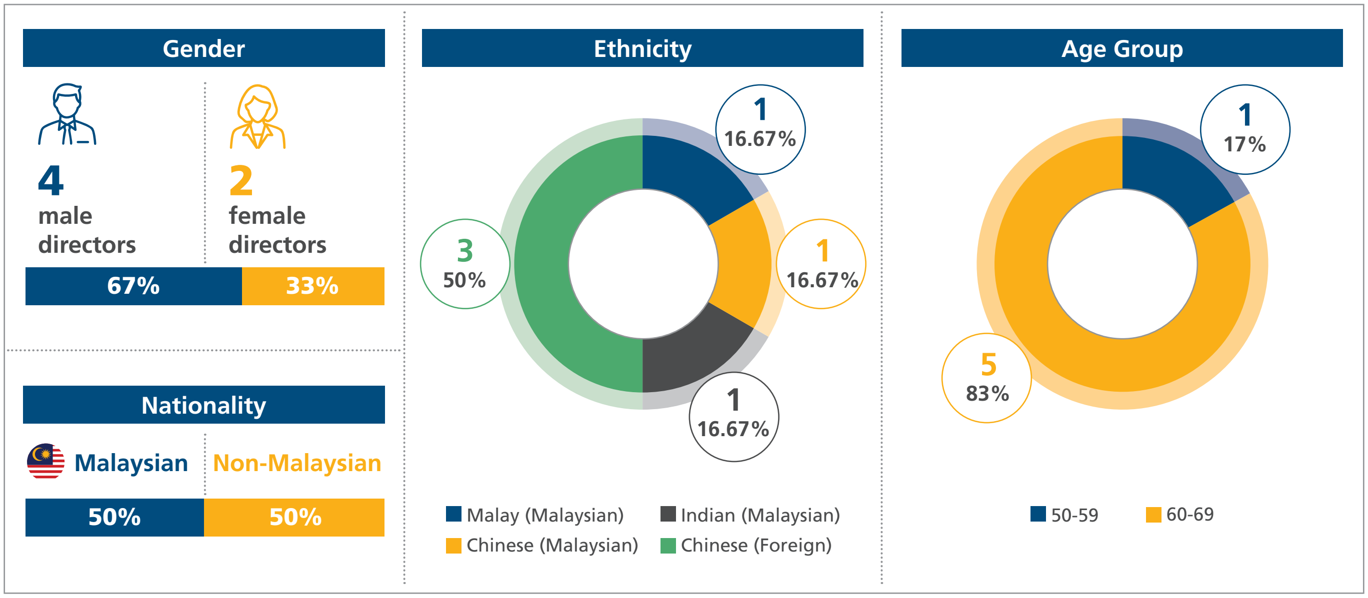
Academic Qualification
- Master of Economics & Finance, Shandong University, Jinan, Shandong, China
- Bachelor of Economic Management, Shandong University, Jinan, Shandong, China

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

Membership of Board Committees in HRC
- Member of Board Nominating and Remuneration Committee

BOARD DIVERSITY



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

Chinese	Age 52	Male

Appointed with effect from
October 2023

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

He started off 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 he 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.

He does not hold any shares in the Company.

ELWIN TAN CHUN SIANG

Chief Financial Officer

Malaysian	Age 50	Male

Appointed with effect from
May 2021

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

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

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

LEE KOK KUEN

Acting Chief Operations Officer

Malaysian	Age 60	Male

Appointed with effect from
August 2022

Kok Kuen holds a Diploma from Polytechnic Kuantan, Pahang where he majored in Electronics and Telecommunications.

With over 38 years of working experience, he started his career as an Operation Technician in 1990 at the Port Dickson refinery, formerly Shell Refining Company (SRC) and now Hengyuan Refining Company (HRC) where he rose through the ranks. An established leader with proven track record, he brings high work passion and extensive experience in managing and optimising production processes to achieve operational excellence that leads to higher productivity, better cost control and enhanced product quality. He also continuously prioritises the safety of all employees and contractors at site.

Before joining HRC, he has worked with Sun Organisation, Hitachi Electronic and Texas Instruments where he received his education scholarship to obtain his Diploma in Electronics and Telecommunications.

STEVEN ZHOU YI BING

Chief Commercial Officer

Chinese	Age 58	Male

Appointed with effect from

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 in 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 1½ 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.

ZULHAZMI MOHAMAD

Chief Government Relations Officer

Malaysian	Age 53	Male

Appointed with effect from

March 2019

Zulhazmi Mohamad holds a Bachelor of Electrical Engineering (Hons) from the University of Southampton, UK. He was a Shell scholar who was selected in 1989 to pursue A-Levels and subsequently a Degree in the UK.

Over the course of 25 years, Zulhazmi has demonstrated exceptional dedication and expertise in a spectrum of roles. His 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 HRC's growth and success. Among his noteworthy achievements is his involvement in the comprehensive life cycle of the state-of-the-art Long Residue Catalytic Converter Unit project and the HIJAU complex for HRC in Port Dickson, spanning detailed design, construction, commissioning, and successful start-up.

He assumed the role of Senior Engineering Manager in 2011, and showcasing his leadership and strategic acumen, was appointed Chief Projects Officer in 2018. In 2019, he took on the pivotal role of Chief Government Relations Officer in recognition 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.

MANAGEMENT TEAM PROFILES

AUSTIN ZHOU QIANG

Senior Vice President, Engineering

Chinese	Age 53	Male

Appointed with effect from
April 2022

Austin Zhou Qiang holds a Chemical Equipment & Machinery Junior College Diploma from Changzhou University. His expertise is fortified by over 28 years of working experience in engineering and construction of petrochemical and chemical industry.

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.

He began 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 before starting work from June 2005 with VCM/PVC plant of Tosoh and Hanwha 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.

CHANG CHUAK SHIN

Senior Vice President, Quality and Health, Safety, Security & Environment

Malaysian	Age 39	Male

Appointed with effect from
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 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

Indian	Age 42	Male

Appointed with effect from
March 2022

Vikas Rishi holds a bachelor's degree in Chemical Engineering from Thapar University, India.

His diverse work experience spans over 19 years within oil and gas refining. In his accumulated years of downstream business, Vikas has worked in Technology/Technical Service & Plant Operations and gained experience in various refining technologies such as Crude Distillation, Thermal Cracking (Delayed Coking), Catalytic Reforming, Hydro-treating and Merox Technologies, and Catalytic Cracking.

Prior to his position at HRC, he previously worked with two renowned major oil and gas refining companies in India, namely, Reliance Petroleum Limited and Hindustan Petroleum-Mittal Energy Limited in the Technology Department. In 2018, he joined HRC as the Technology Section Head-PU1, Oil Movement and HDS-2 and served with distinction in that capacity till March 2022 when he was promoted to his present position.

XIANG RUI TAO
Vice President, Contract & Procurement

Chinese	Age 34	Male

Appointed with effect from
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 several 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 2018, he was assigned to HRC Port Dickson, Malaysia where he worked as a Project Interface Advisor & CEO Interface Officer. He was appointed as the Lead Governance, Contract Management (Administrator) before he assumed his current role as the Vice President of Contract & Procurement.

AARIC SOO YUH HUEI
Chief Internal Auditor

Malaysian	Age 43	Male

Appointed with effect from
March 2023

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

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

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 Director and/or major shareholder of our Company. They have no conflict of interest with our Company and have not been charged with any offences within the past 5 years.

ACHIEVING GOALS AS ONE HENGYUAN

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 31st December 2023 (FY2023), 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 2023, providing details on the application of the Practices set out in the MCCG during FY2023 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).**

Amongst others, the Board assumes the following responsibilities:

No	Principal Responsibilities	Explanation and updates for FY2023
i.	Together with senior management, promote good corporate governance culture within the Company which reinforces ethical, prudent and professional behaviour	The Company has a full set of governance controls, policies and procedures, including HRC's General Business Principles, Code of Conduct, Anti-Bribery and Corruption Policy, Anti-Bribery & Corruption and Anti-Money Laundering Manual, Manual of Authorities, Directors' Fit & Proper Policy, a control framework and approval checks at various levels to instil good corporate governance practices within the Company.
ii.	Reviewing and adopting a strategic plan for the Company	On 28th November 2023, the Board reviewed and approved the 2024 Business Plan comprising (i) Purpose, Vision, Mission, and Values; (ii) Business Strategy (iii) Financial, Headcount and 2024 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 ESG.

No	Principal Responsibilities	Explanation and updates for FY2023
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 oversees the internal controls system of the Company while the BRMC ensures that an effective risk management framework is in place. The Committees also ensure that the Company's internal controls and risk management framework are periodically tested for its effectiveness and integrity.
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 FY2023
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 72 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.

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

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

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

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

Whistleblowing

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

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

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

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

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

The Board regularly reviews and updates the Company's Whistleblowing Policy. The Whistleblowing Policy and 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.

Carbon footprint reduction remains the core driver of a sustainable future and hence, HRC will focus on reducing CO_2 emission in its production as the key strategic initiative. The Board has approved the Company's aspiration to achieve "Net Zero Carbon Emission by Year 2050" and the Company's establishment of the ESG framework. Two key elements have been incorporated into the strategies to achieve the Company's aspiration:

(i) Reduce emission through optimisation of energy consumption as well as usage of renewable/alternate clean energy; and

(ii) Seek initiatives such as nature restoration projects to compensate for the emission.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 2023 (BEA FY2023), the Board was satisfied that the Company had carried out its duties satisfactorily in regard of addressing material sustainability risks and opportunities. The Board agreed that sustainability factors have been taken into consideration when exercising their duties, including the development and implementation of strategies, business plans, major plans of action and risk management of the Company. The Board also agreed that the sustainability matters for the year are adequately reported in the Board materials and discussed at Board or Board Committee 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 an Operational Excellence Framework, of which ESG is one of its focus areas.

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

II. BOARD COMPOSITION

As at 31st December 2023, the Board consists of six (6) directors, comprising two (2) Non-Independent Non-Executive Directors and four (4) Independent Non-Executive Directors (INEDs), to ensure balance of power and authority within the Board.

HRC's Board composition, consists of 66.66% 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.

In FY2023, the BNRC reviewed the current Board composition of HRC and recommended the new appointment of Ms Li, XiaoXia (Ms Li) as the Independent Non-Executive Director of HRC for the Board's consideration. The new appointment has taken into account the criteria set out in the TOR of the BNRC, the Board Diversity Policy, and the Directors' Fit and Proper Policy, requiring Ms Li to complete a Fit and Proper Declaration Form for evaluation by the BNRC and the Board.

On 8th December 2023, upon recommendation by the BNRC, the Board reviewed and approved the appointment of Ms Li as the Independent Non-Executive Director of HRC with immediate effect, after assessing her character, integrity, experience, competence, time commitment, and independence criteria as set out in MMLR.

On 8th December 2023, the Company announced the resignation of Puan Fauziah Hisham who had served as the Independent Non-Executive Director of HRC for 6 years and 4 months, effective immediately on the same date. Consequently, Ms Li has been appointed as Independent Non-Executive Director of HRC effective from 8th December 2023.

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 22nd February 2024, reviewed the results of the annual BEA 2023 to assess the current Board composition and to determine the effectiveness of the Board, Board Committees, and each individual Director. The results of BEA FY2023 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.

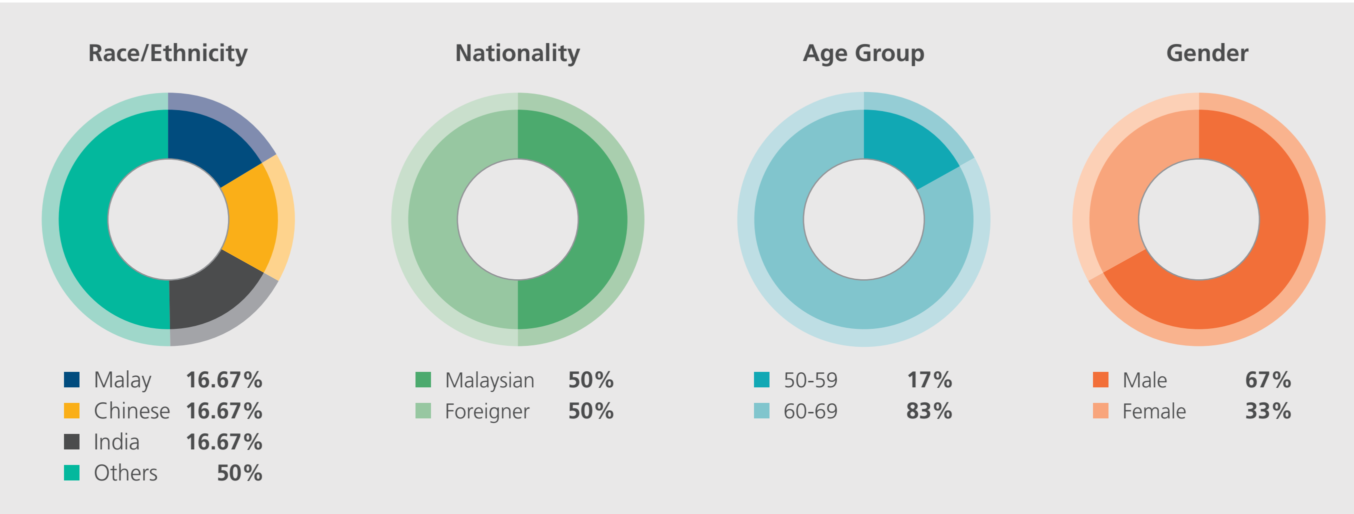
On 29th March 2023, the Board approved the 64th AGM notice containing the agendas of the re-election of directors, namely Wang, ZongQuan, Fauziah Hisham and Tai Sook Yee. The statement of BNRC to support the re-election of the directors together with its justification were clearly stated in the explanatory notes of the resolutions in the Notice of 64th AGM, which was issued to shareholders on 21st April 2023.

Board and Senior Management Diversity

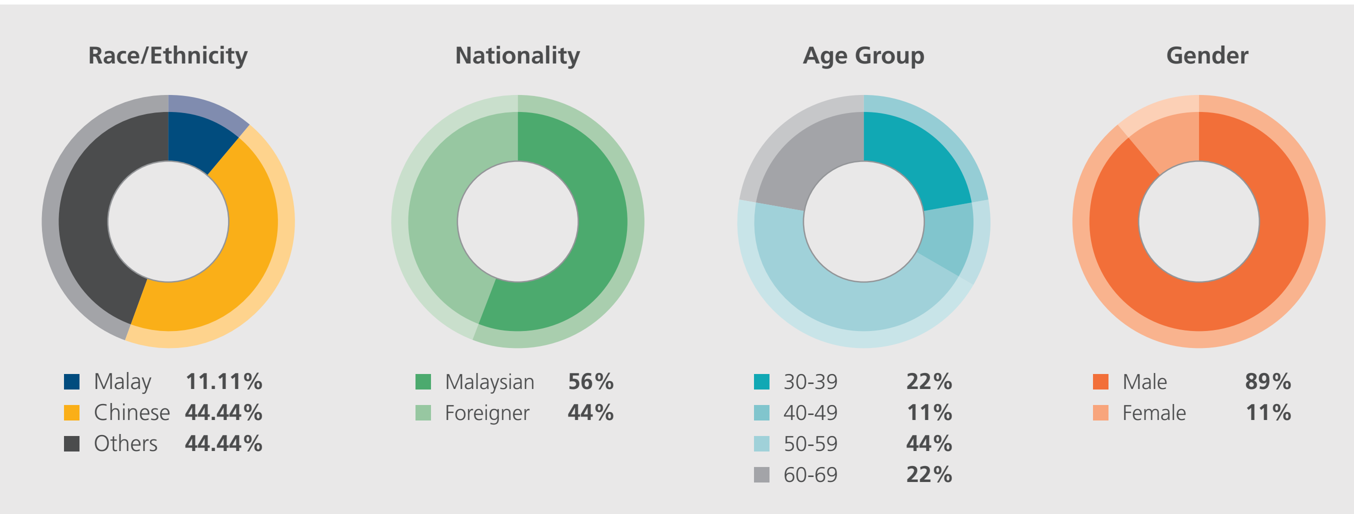
The Board recognises the importance of having a diverse Board and Senior Management with a mix of relevant skills, expertise and experience to provide diverse perspectives and insights for decision making in the best interests of the Company. The BNRC assists the Board with screening and selection of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

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

As at 31st December 2023, the Diversity of the Board was as follows:



As at 31st December 2023, the Diversity of the Management team was as follows:



CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

The appointment of senior management members is guided by the Company's Equal Opportunity principle entrenched in the Code of Conduct, which prohibits discrimination on race, colour, religion, age, gender, sexual orientation, gender identity, marital status, disability, ethnic origin or nationality when making employment decisions. The Company strives to be objective and ensure no personal feelings, prejudices and preferences are influencing any employment-related decisions, and basing employment decisions solely on objective factors, including merit, qualification, performance and business considerations.

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

Board Nominating and Remuneration Committee

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

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

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

Based on the results of the BEA FY2023, 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.

FY2023, the BNRC has considered the resume of Ms Li, XiaoXia and interviewed her on 30 November 2023, as a potential candidate for appointment as Independent Non-Executive Director of the Company. She has thirty-three (33) years of experience in areas relating to banking industry, led transformative initiatives in credit risk management, corporate finance, and investment banking, orchestrating significant capital injections, and achieving outstanding business growth and non-performing asset reorganisation, consistently earning an excellent (BAA) assessment over three consecutive years, and would be a valuable addition to the Board.

Ms Li, XiaoXia 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". She has no family relationship with any other Director and/or major shareholder of the Company. She did not hold any shares in HRC and has no conflict of interest in any business arrangement with the Company.

The BNRC, after having reviewed the said resume and criteria, recommended the appointment of Ms Li as an Independent Non-Executive Director of HRC with effect from 8th December 2023 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 Wang, YouDe and Surinderdeep Singh a/l Mohindar Singh, who are seeking re-election at the Company's 65th AGM scheduled to be held on 28th May 2024, and recommended their re-appointments to the Board, based on the following justifications:

- Based on the results of the BEA FY2023, Wang, YouDe has a relevant mix of experience, skill, knowledge, expertise and core competency that is beneficial to the Company, including industry specific knowledge and oil and gas business strategy, project management and engineering, contracting and procurement, human resource and development, internal control and risk management. He demonstrates and commands effective leadership of the Board, oversees effective decision-making process and ensures crucial alternatives are considered. He aims to ensure that the Board's workload is appropriately managed and, where suitable, allocated to established Board Committees with specific TOR approved by the Board.
- Based on the results of the BEA FY2023, Surinderdeep Singh a/l Mohindar Singh has a relevant mix of experience, skill, knowledge, expertise and core competency that is beneficial to the Company, including human resource and development, accounting and finance, internal controls, corporate governance and information technology. He has a good understanding of the duties, obligations and responsibilities as a director and provide useful recommendations in assisting the Board for a better decision making. As the Chair of the BNRC, he leads BNRC's annual evaluation of the Board composition to ensure that it has the appropriate size, balance and composition of the Board, the required mix of skills, experience and other qualities, the independence of the Independent Directors, Board diversity in terms of gender and age, and consideration of the Fit and Proper assessment, and core competencies which the Directors shall bring to the Board to ensure that they are in line with the Company's requirements.
- Ms Li, XiaoXia, the newly appointed Independent Non-Executive Director, has a relevant mix of experience, skill, knowledge, expertise and core competency that is beneficial to the Company, including banking, economics and finance, internal controls, risk management and human resource and development. She has good understanding of the roles, duties and obligations as a director, adds value to board meetings and takes initiative to request for more information. She sufficiently identifies principal financial risks that may have a considerable impact on the Company and set the risk appetite to ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks.

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 FY2023 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 FY2023 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 Listing Requirements.

Based on the results of the BEA FY2023, the Board's greatest strengths in FY2023 presented the Board's ability to work as a whole to react to the challenges the Company are facing post-pandemic and able to leverage on individual director's expertise to offer constructive proposal/advice; board members are familiar with operations; cooperation is strong amongst us, there is an environment of trust; and cohesiveness and ability to discuss openly and disagree professionally. In the management of stakeholder's challenges, and steering company through challenging cashflow period in Q3/2023 is evidence of the board's strengths.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The challenges identified in the BEA FY2023 were presented as follows:

- how to leverage on company's existing resources and maximise potentials to achieve good profitability post pandemic;
- operational volatility especially hedging risk, improving profitability and meeting ESG/COP28 requirements;
- how to enhance the stability of senior management in order to build up a solid footing with our general staff; and
- how to enhance the effectiveness of the hedge initiatives and practice.

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 22nd February 2024.

III. 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 8th December 2023, the BNRC reviewed, endorsed and recommended to the Board for approval of the nomination of Ms Li, XiaoXia as Independent Non-Executive Director and her 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 FY2023, 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:

	(in RM'000)			
Name	**Salaries, bonus and salaries related benefits**	**Directors' fees**	**Attendance and other remuneration**	**Total**
Wang, YouDe	-	738	4	742
Wang, ZongQuan	-	258	4	262
Alan Hamzah Sendut	-	264	4	268
Fauziah Hisham*	-	174	3	177
Surinderdeep Singh	-	270	4	274
Tan Sook Yee	-	186	3	189
Li, XiaoXia**	-	10	***0	10
Total		**1,900**	**22**	**1,922**

* *Fauziah Hisham resigned from the Board on 8 December 2023.*

** *Li, XiaoXia was appointed as Independent and Non-Executive Director on 8 December 2023.*

*** *Other remuneration for Ms Li, XiaoXia is RM232.26 for the financial year ended 31 December 2023.*

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 RM72,000.00.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. BOARD AUDIT COMMITTEE

The Chairman of the BAC is Alan Hamzah Sendut, an Independent Non-Executive Director who is not the Chairman of the Board. With the resignation of Puan Fauziah Hisham, 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 external and 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 PricewaterhouseCoopers PLT.

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.

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 FY2023 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.

The BAC's report is available on page 78 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Company's risk management is backed up by the implementation of three lines of defence that distinguishes the three groups which are involved in effective management of risk in the Company. The lines of defence are strengthened by the roles of the Risk & Integrity Executive and the Chief Internal Auditor (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 72 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 24 trained and/or ISO certified site internal auditors from various departments in the Company. The SIA reviews the site internal assurance and process effectiveness of the Company and reports to the QHSSE Manager. All SIA internal audit reports are reviewed by the CIA before finalisation.

The CIA 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 2023, which is published at *www.hrc.com.my*.

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

I. Communication with Stakeholders

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

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

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

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

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

(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 64th AGM notice, proxy form, FY2022 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 FY2022 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 2023 Sustainability Report, which is accessible on the Company's website at *www.hrc.com.my*.

II. Conduct of General Meetings

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

The Company 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 64th AGM, together with the 2022 Annual Report and circular to shareholders, was issued on 21st April 2023, which was thirty-two (32) days before the meeting held on 24th May 2023 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 64th 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 64th AGM held on 24th May 2023.

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 2022 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 64th 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 64th AGM.

The Company's Corporate Governance Report and Corporate Governance Overview Statement was approved by the Board on 12th April 2024.

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 2023.

BOARD'S RESPONSIBILITY

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

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

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

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

MANAGEMENT'S ROLE

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

RISK MANAGEMENT

The 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.

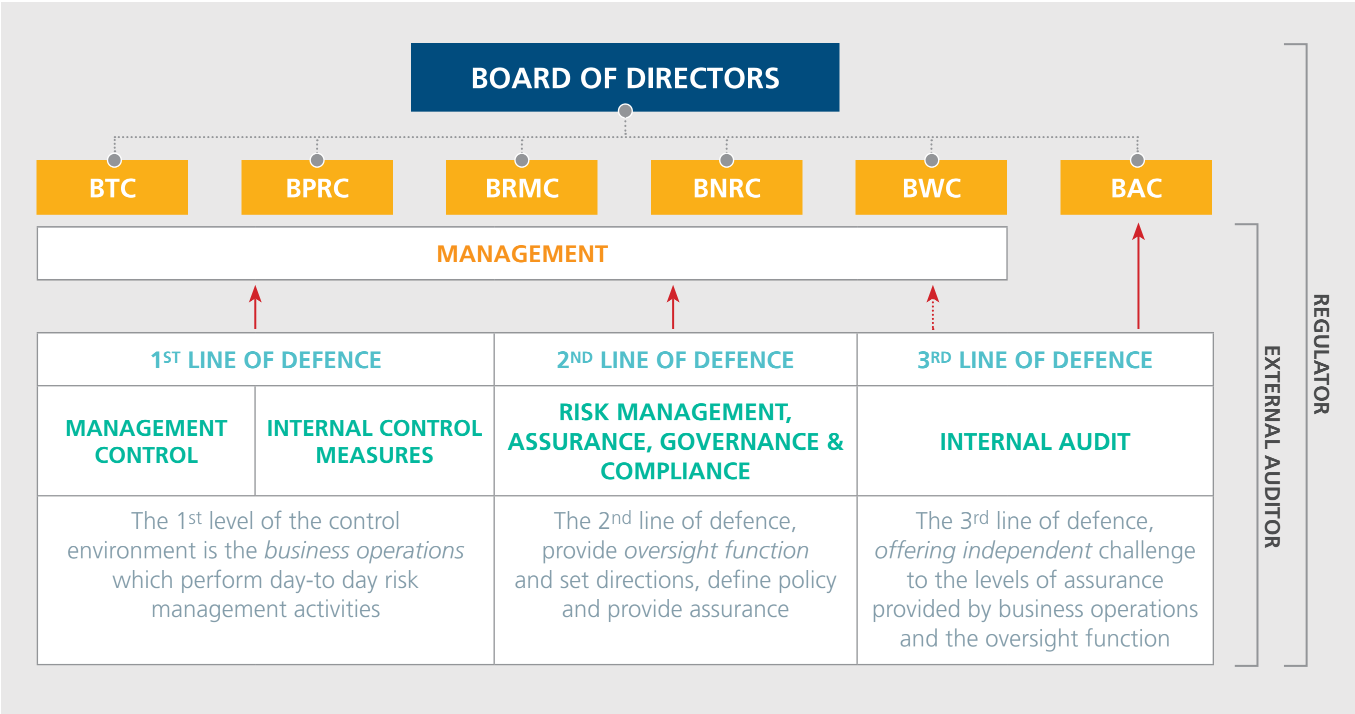
The Risk and Integrity Department oversees the risk management function within HRC. The main objective of risk management is to promote advanced awareness and define boundaries for risk-taking, and to apply fit-for-purpose risk responses in order for HRC to provide a reasonably sufficient, but not an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

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

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

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

THREE LINES OF DEFENCE



Note: The director membership of each Board Committee is shown under the Board of Directors' profile on pages 50 to 53 of this Annual Report.

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

Top 20 corporate risks have been deliberated on a quarterly basis by the 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.

KEY INTERNAL CONTROLS

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

1. AUTHORITY AND RESPONSIBILITY

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

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

2. ORGANISATION STRUCTURE AND MANAGEMENT COMMITTEE

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

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

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

3. PLANNING, MONITORING AND REPORTING

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

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

c. The Chief Financial Officer (CFO) is required to provide assurance to the BAC that:

- appropriate accounting policies have been adopted and applied consistently, the going concern basis applied in the Annual Financial Statements is appropriate, and that prudent judgements and reasonable estimates have been made in accordance with the requirements set out in the Malaysian Financial Reporting Standards (MFRSs) and the International Financial Reporting Standards (IFRSs);
- adequate processes and controls are in place for effective and efficient financial reporting and disclosure under the requirements of MFRSs, IFRSs, the Companies Act 2016 and Bursa Malaysia Securities Berhad's Main Market Listing Requirements (MMLR); and
- the Annual Financial Statements and the quarterly Financial Statements give a true and fair view of the financial position and financial performance of the Company and do not contain any material misstatement.

d. There is a regular and comprehensive flow of information from Management to the Board on all aspects of HRC's operations to facilitate the monitoring of performance against HRC's corporate strategy, business plans and regulatory requirements.

e. The sustainability strategy is developed by management and reviewed by the Board to ensure its robustness in achieving HRC's objectives. The sustainability strategy was approved by the Board and is disclosed in the 2023 Sustainability Report.

4. POLICIES AND PROCEDURES

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

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

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

5. BUSINESS INTEGRITY MANAGEMENT

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

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

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

BRMC provides oversight on the overall implementation of business integrity within HRC. A checklist detailing the Company's current capability against the MACC's Guideline on Adequate Procedures was presented to BRMC in May 2023.

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

a. ANTI-BRIBERY MANAGEMENT SYSTEMS MANUAL

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

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

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

The ABMS Manual covers areas such as:

i. The contracting and procurement process

ii. Offering and receiving gifts and hospitality

iii. Conflicts of interest

iv. Facilitation payments

v. Funding social investment, donation and sponsorship

vi. Political payments and activities

vii. Recruitment

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

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

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

b. BUSINESS INTEGRITY ACTIVITIES

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

In December 2023, the Risk and Integrity Department organised the annual Business Integrity Week. The programme, called "ICARE for Integrity - Integrity Matters" was organised to reinforce the core value of HRC. A talk on "Integrity and Sustainability" was delivered by the officer from Malaysian Anti-Corruption Commission (MACC). Other talks were organised to strengthen ethical decision making in line with Environmental, Social and Governance (ESG) initiatives. "Integrity Run", a fun programme had been carried out during the annual Business Integrity Week to foster integrity at work.

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

6. COMPLIANCE MANAGEMENT

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

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

In 2023, 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Code outlines the following:

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

8. INFORMATION AND COMMUNICATIONS TECHNOLOGY

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

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

9. EMPLOYEES PERFORMANCE MANAGEMENT

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

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

10. WHISTLEBLOWING POLICY

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

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

The Policy is available on HRC's corporate website.

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

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

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

A comprehensive list of activities and initiatives performed by HRC is highlighted in the HRC Sustainability Report 2023.

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 FY2023, 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. Surveillance 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, ISO27001:2013 Information Security Management System and ISO37001:2016 Anti Bribery Management System. Surveillance audit for ISO17025:2017 Laboratories was carried out by Department of Standards Malaysia.

   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 pinion 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 26 March 2024.

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 FY2023.

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, Alan Hamzah Sendut, is a Chartered Accountant of the Institute of Chartered Accountants in England and Wales (1986) and Malaysian Institute of Accountants (1987). He is also a Chartered Audit Committee Director, Institute of Internal Auditors Malaysia (2018). 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	Alan Hamzah Sendut	Independent Non-Executive Director
Member	Surinderdeep Singh Mohindar Singh	Independent Non-Executive Director
Member	Tai Sook Yee	Independent Non-Executive Director
Member	Fauziah Hisham *	Independent Non-Executive Director

** Puan Fauziah resigned with effect from 8 December 2023.*

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 none of the BAC members is a former partner of the external audit firm of the Company.

The Board reviews the terms of office of the BAC members and assesses the performance of the BAC and its members through an annual Board Committee effectiveness evaluation. The Board indicated, through the Board Effectiveness Assessment FY2023, 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 2023. The details of the attendance record for each BAC member are as follows:-

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

** Puan Fauziah resigned with effect from 8 December 2023.*

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

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

PwC briefed the BAC on 23 February 2024 the outcome of the statutory audit for the financial year ended 31 December 2023, significant auditing and accounting matters, internal control recommendations, and developments in relevant laws and regulations.

The BAC held its independent meetings with PwC on 25 February 2023 and 25 August 2023 without the presence of Management to discuss and provide feedback on the Company's audit for the financial year ended 31 December 2022 and 6 months ended 30 June 2023 respectively, the level of cooperation received from Management, any specific audit concerns, and the quality of financial reporting.

Minutes of each BAC meeting was recorded and tabled for confirmation at the next following BAC meeting and subsequently presented to the Board for notation. In 2023, 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 2023 comprised the following:

1. FINANCIAL REPORTING

In overseeing HRC's financial reporting, the BAC reviewed the quarterly financial statements for the fourth quarter of 2022 and the annual audited financial statements for 2022 at its meetings on 25 February 2023 and 27 March 2023 respectively.

The quarterly financial statements for the first, second and third quarters of 2023, 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 26 May 2023, 25 August 2023, and 27 November 2023 respectively.

On 23 February 2024 and 26 March 2024, the BAC reviewed the quarterly financial statements for the fourth quarter of 2023 and the annual audited financial statements for 2023 respectively.

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

2. EXTERNAL AUDIT

The BAC reviewed PwC's audit plan and scope for the financial year ended 2023 and the payment of auditors' statutory and non-audit fees.

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

In addition to the review of the annual audit of HRC's financial statements, the External Auditors were engaged to conduct reviews of selected quarterly financial results during 2023 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 26 March 2024, the CIA reported that non-audit fees incurred in FY2023 amounted to RM27,000, representing approximately 5 per cent of the total remuneration paid to the External Auditors, which amounted to RM491,280.

The BAC had assessed and was satisfied with the competency, audit quality and independence of PwC, whose appointment was approved by shareholders of the Company at HRC's 64th Annual General Meeting. The assessment was conducted based on the criteria stipulated in HRC's External Auditor Assessment Policy.

3. INTERNAL AUDIT

The IA team conducted the audit work as per the 2023 Annual Audit Plan approved by the BAC on 26 May 2023.

In year 2023, 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 24 trained and/or ISO certified site internal auditors from various departments of HRC. The SIA carries out the site internal audits and process effectiveness of HRC and reports to the Quality & Health, Security, Safety and Environment Manager. All SIA internal audit reports are reviewed by the CIA before finalisation.

AUDIT COMMITTEE REPORT

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 2023 was RM454,468.

4. HRC ASSURANCE PLAN 2023

The BAC oversaw HRC's approved internal audit and assurance plan for the year 2023 which consisted of seven (7) regulatory and statutory audits, fourteen (14) internal audits and four (4) 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 Surveillance Audit
ISO 14001 Surveillance Audit
ISO 45001 Surveillance Audit
ISO 17025 Surveillance Audit
ISO 27001 Surveillance Audit
ISO 37001 Surveillance Audit
Internal Audits
Procurement to Pay (P2P)
Marine & Jetty
IT Business Continuity Planning (BCP)
Refinery Asset Management
Project Management for Turnaround 2023
Refinery Hydrocarbon Hedging (Crude) Compliance Review
HRC Regulatory Compliance Review
Related Party Transaction Review
ISO 9001
ISO 14001
ISO 45001
ISO 17025
ISO 27001
ISO 37001
Process Effectiveness Reviews
Hazard and Effect Management Process
Business Continuity Plan
Emergency Response
Mitigate Threats to Availability

The progress of the Internal Audit and Assurance Plan 2023 and its audits were reported to the Board on a quarterly basis.

During the course of the year, the BAC also approved four (4) 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 2023, 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 24 May 2023 to the 65th 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)

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 FY2023.

7. OTHERS

Other matters discussed by the BAC during its meetings include:

(a) The solvency outlook loan position of the Company and dividend proposal of the Company in the next 12 months;

(b) Quarterly updates on the Recurrent RPT (RRPTs) received from the Management. The BAC also ensured that all RRPTs were within the thresholds of the shareholders' mandate approved at the 64th AGM in 24 May 2023;

(c) The review of refinancing plan;

(d) To review the report of special review on fuel loss. Subsequently, to review the update on oil loss findings from Tricor Axcelasia;

(e) The review of the FY2022 audit representation letter and Statement on Risk Management and Internal Controls representation letter;

(f) The review of the FY2022 Statement on Risk Management and Internal Control and the BAC Report disclosure for the respective financial year for the purpose of inclusion in the Company's annual report;

(g) To review of the annual certificate and compliance certificate;

(h) To review of the margin performance;

(i) To review of the award of HSBC on the cash management platform and to accept trade line facilities from HSBC;

(j) The review of the attempted bribery investigation report;

(k) The review of 2024 HRC Business Plan, i.e. Purpose, Vision, Mission, Values, Business Strategy, Financial, Headcount and 2024 scorecard;

(l) To review of the conflict of interest policy; and

(m) To review of the PwC audit fees proposal for FY2023.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FINANCIAL REPORTS & OTHER INFORMATION

DIRECTORS' REPORT

The Directors hereby submit their report to the members together with the audited financial statements of the Company for the financial year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The principal activities of the Company consist of refining and manufacturing of petroleum products. There has been no significant change in these activities during the financial year.

FINANCIAL RESULTS

The results of the operations of the Company for the financial year were as follows:

	RM'000
Loss for the financial year	488,570

DIVIDENDS

The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2023.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial year to the date of this report are:

Wang, YouDe

Wang, ZongQuan

Alan Hamzah Sendut

Surinderdeep Singh Mohindar Singh

Tai Sook Yee

Li, XiaoXia (appointed on 8 December 2023)

Fauziah binti Hisham (resigned on 8 December 2023)

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects 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.

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than benefits disclosed as Directors' remuneration) 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.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES AND DEBENTURE

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Company or its holding company during the financial year.

DIRECTORS' REMUNERATION

The aggregate amounts of emoluments received and/or receivable by the Directors of the Company during the financial year are as follows:

	RM'000
Fees and allowances	1,922

INDEMNITY AND INSURANCE COSTS

Indemnity insurance for Directors and Officers of the Company during the financial year amounted to RM72,000.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements were prepared, the Directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Company had been written down to an amount which the current assets might be expected so to realise.

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

(a) which would render the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Company misleading; or

(c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

No contingent or other liability 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 when they fall due.

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

(a) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liability of any other person except as disclosed in Note 13, 15, 16, 17 and 26 to the financial statements; and

(b) any contingent liability which has arisen since the end of the financial year.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Company, which would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

(a) the results of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

DIRECTORS' REPORT

IMMEDIATE AND ULTIMATE HOLDING COMPANIES

The Directors regard Malaysia Hengyuan International Limited ("MHIL"), a company incorporated in Labuan, Malaysia and Shandong Linyi County Petrochemical Factory, a company incorporated in China, as the Company's immediate and ultimate holding companies respectively.

AUDITORS' REMUNERATION

The aggregate amounts of auditors' remuneration for audit and audit related services paid and/or payable of the Company during the financial year amounted to RM391,000 and RM74,000 respectively.

This report was approved by the Board of Directors on 26 March 2024. Signed on behalf of the Board of Directors:

WANG, YOUDE
DIRECTOR

ALAN HAMZAH SENDUT
DIRECTOR

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Wang, YouDe and Alan Hamzah Sendut, two of the Directors of Hengyuan Refining Company Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 95 to 146 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2023 and financial performance of the Company for the financial year ended 31 December 2023 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 26 March 2024.

WANG, YOUDE
DIRECTOR

ALAN HAMZAH SENDUT
DIRECTOR

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

I, Tan Chun Siang, 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 95 to 146 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

TAN CHUN SIANG
CHIEF FINANCIAL OFFICER
CA15906

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur, Malaysia, on 26 March 2024.

Before me:

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HENGYUAN REFINING COMPANY BERHAD
(INCORPORATED IN MALAYSIA)
REGISTRATION NO. 196001000259 (3926-U)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Hengyuan Refining Company Berhad ("the Company") give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Company, which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of material accounting policy information, as set out on pages 95 to 146.

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 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.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HENGYUAN REFINING COMPANY BERHAD
(INCORPORATED IN MALAYSIA)
REGISTRATION NO. 196001000259 (3926-U)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

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 financial 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.

Key audit matters	How our audit addressed the key audit matters
Recoverability of the carrying amount of refinery assets and reversal of deferred tax asset *Refer to Note 2 Summary of material accounting policy information: Note 2.3 – Property, plant and equipment, Note 2.5 – Intangible assets, Note 2.6 – Leases, Note 2.7 – Impairment of non-financial assets, Note 2.21 – Current and deferred income tax, Note 3 – Critical accounting estimates and judgements: (a) Recoverability of the carrying amount of refinery assets, (b) Deferred tax assets, Note 13 – Property, plant and equipment, Note 14 – Intangible assets, Note 15 – Leases, Note 27 – Deferred taxation* As at 31 December 2023, the carrying amount of the Company's property, plant and equipment, intangible assets and right-of-use assets (collectively cash-generating-units "CGU" or refinery assets) is RM2,204.2 million, net of accumulated impairment losses of RM232.7 million and the deferred tax asset is RM138.8 million. We focused on these areas considering the material amount involved and the significant judgements and estimates made by the Directors in determining the fair value less costs to sell ("FVLCTS") of the refinery assets for its impairment assessment and the projections of taxable profits to assess the extent of utilisation of unused tax losses, unabsorbed capital allowances and unused reinvestment allowances. The key assumptions included in the FVLCTS calculation has considered the climate-related risks as set out below: • the projected refining margins which fluctuate based on the oil price, Malaysian and global economic outlook; • the production volume based on existing production capacity and forecast demand; and • the discount rate based on the market's weighted average cost of capital.	We performed the following audit procedures on the FVLCTS calculation which was approved by the Board of Directors: • Discussed with the Board Audit Committee members and the senior management on the FVLCTS calculation to understand the key assumptions which formed the basis of the recoverable amount; • Evaluated management's cash flow projections and the process by which they were developed to ensure key inputs are in line with financial budgets approved by the Board of Directors; • Corroborated supporting evidence underlying the projected refining margins provided by management to market data taking into account on the volatility of global oil prices and through inquiry of management on the basis used; • Corroborated projected production volume to the historical results achieved by the Company, taking into consideration the climate-related risks; • Agreed the capital expenditure to the project plans and enquired with management on the supporting and basis of deriving the cost estimates; • Checked the reasonableness of the discount rate used with the assistance of our valuation experts; and • Checked sensitivity analysis prepared by management on these key assumptions used in the impairment model.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HENGYUAN REFINING COMPANY BERHAD
(INCORPORATED IN MALAYSIA)
REGISTRATION NO. 196001000259 (3926-U)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
Recoverability of the carrying amount of refinery assets and reversal of deferred tax asset (continued) Based on the FVLCTS computed, the Directors have concluded that there is no further impairment in the carrying amount of refinery assets and recognition of deferred tax assets on the remaining unused tax losses, unabsorbed capital allowances and unused reinvestment allowances are appropriate.	We performed the following audit procedures on the projections of taxable profits: • Checked that the projections of taxable profits are determined based on the same assumptions used in the FVLCTS calculation; and • Checked the amount of tax losses estimated to be utilised from YA 2024 to YA 2033 are included in the computation of deferred tax asset recognised as at 31 December 2023. We did not find any material exceptions in the procedures performed.
Liquidity position of the Company *Refer to Note 4 Financial Risk Management Objectives and Policies: (c) Liquidity and cash flow risks* As at 31 December 2023, the Company has a net current liabilities position of RM435.8 million. The Company's net current liabilities position is mainly contributed by short term borrowings and trade and other payables as well as derivative liabilities. In assessing the liquidity position of the Company, management has considered the following: • Availability of cash flows from operations to meet the investing and financing obligations; • Ability of the Company to meet the debt covenants of the borrowings; and • Availability of the financing facilities. We focused on this area as the cash flows forecast is inherently uncertain and involve significant judgement and estimates made by the Company in arriving at the cash flows forecast for the next 12 months from the date of approval of the financial statements. Based on the cash flows forecast, the Directors have concluded that the Company is able generate sufficient cash flows for the next 12 months from the date of approval of the financial statements to meet its cash flows requirements.	We performed the following audit procedures: • Discussed with management on the assumptions used in the cash flows forecast of the Company for the next 12 months from the date of approval of the financial statements; • Checked that the key assumptions such as refining margin and production volume are consistent with the assumptions used in the FVCLTS calculation in the impairment model which we have assessed in the key audit matter earlier; • Checked the borrowings repayment profile are in line with terms stipulated in the agreements; • Corroborated the availability of funding by reviewing the financing agreements in place; • Checked the calculation of debt covenants of the borrowings based on the terms in the agreements; and • Checked the sensitivity analysis performed by management on the key assumptions to the cash flows forecast. We did not find any material exceptions in the procedures performed.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HENGYUAN REFINING COMPANY BERHAD
(INCORPORATED IN MALAYSIA)
REGISTRATION NO. 196001000259 (3926-U)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
Valuation of derivatives *Refer to Note 2 Summary of material accounting policy information: Note 2.9 – Derivatives and hedging activities, Note 3 Critical accounting estimates and judgements: (d) Valuation of derivatives, Note 19 – Derivative financial assets/(liabilities)* As at 31 December 2023, the derivative financial assets and derivative financial liabilities of the Company are RM21.0 million and RM170.7 million, respectively. We focused on the valuation of the derivatives as estimates are required to value these derivative instruments and the balances are significant. Therefore, there is higher risk that the fair value estimation may not be appropriately reflected in the financial statements.	We tested the valuation of the derivatives by performing the following: • Obtained confirmation from counterparties to ascertain the completeness of the outstanding derivative instruments; • On a sampling basis, agreed the underlying data to the term sheets to ensure accuracy; • Established a tolerable range for the mark-to-market value for each type of derivative instrument tested; and • On a sampling basis, performed an independent valuation of the derivative instruments and compared the valuation to the mark-to-market value provided by the Company with the assistance of our financial risk management experts. We did not find any material exceptions in the procedures performed.
Net realisable value ("NRV") of the hydrocarbon inventories *Refer to Note 2 Summary of material accounting policy information: Note 2.12 – Inventories, Note 3 – Critical accounting estimates and judgements: (c) Net realisable value of the hydrocarbon inventories, Note 16 – Inventories* As at 31 December 2023, the Company's hydrocarbon inventories amounted to RM1,357.1 million. Management has performed an assessment to determine the NRV of the hydrocarbon inventories. The NRV was determined based on selling prices less costs to sell after the financial year end. We focused on this area given the significance of the hydrocarbon inventory balances and the volatility of the crude and product prices which may result in costs being higher than selling prices less costs to sell. Based on the assessment performed, the Directors have provided RM105.2 million for inventories write down.	We performed the following audit procedures: • Agreed the quantity of both the crude and product inventories to supporting documents; • Observed the tank dipping process during the annual physical inventory observation and performed roll-forward testing on a sampling basis to reconcile the tank dipping results to the inventory system; • Corroborated the selling prices of the hydrocarbon inventories to the supporting documents after the financial year end; and • Computed the differences between inventory costs and the NRV to ascertain the inventories write down adjustments as at 31 December 2023. We did not find any material exceptions in the procedures performed.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HENGYUAN REFINING COMPANY BERHAD
(INCORPORATED IN MALAYSIA)
REGISTRATION NO. 196001000259 (3926-U)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

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 Directors' Report and Statement on Risk Management and Internal Control, which we obtained prior to the date of this auditors' report, and other sections in the 2023 Annual Report, which is expected to be made available to us after that date. Other information 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 other information and we do not and will 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 other information and, in doing so, consider whether the other information 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 on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, 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 the financial statements of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting 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.

In preparing the financial statements of the Company, the Directors are responsible for assessing the Company's ability 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:

(a) 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.

(b) 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 Company's internal control.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HENGYUAN REFINING COMPANY BERHAD
(INCORPORATED IN MALAYSIA)
REGISTRATION NO. 196001000259 (3926-U)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

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: (continued)

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) 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 Company's ability 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.

(e) 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 achieves fair presentation.

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 financial 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 report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER MATTERS

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.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

PAULINE HO
02684/11/2025 J
Chartered Accountant

Kuala Lumpur
26 March 2024

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	2023 RM'000	2022 RM'000
Revenue	6	**15,399,240**	21,142,293
Purchases		**(15,543,169)**	(20,797,408)
		(143,929)	344,885
Other income	7	**25,318**	41,011
Manufacturing expenses		**(196,313)**	(183,642)
Administrative expenses		**(66,112)**	(76,031)
Depreciation and amortisation		**(143,906)**	(112,998)
Other operating gains/(losses)		**138,857**	(351,518)
Finance cost	8	**(113,875)**	(56,089)
Loss before taxation	9	**(499,960)**	(394,382)
Taxation	10	**11,390**	236,742
Loss for the financial year		**(488,570)**	(157,640)
Other comprehensive income/(expenses):			
Items that will be reclassified to profit or loss:			
Cash flow hedge reserve - net fair value gain/(loss) on derivatives (net of tax)		**531,923**	(552,055)
Cost of hedging reserve (net of tax)		**(14,584)**	61,522
		517,339	(490,533)
Total comprehensive income/(expenses) for the financial year		**28,769**	(648,173)
Loss per share (sen) - basic/diluted	11	**(163)**	(53)

The accompanying notes to the financial statements form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Note	2023 RM'000	2022 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**2,196,984**	2,055,220
Intangible assets	14	**4,764**	7,369
Right-of-use assets	15	**2,461**	8,874
Deferred tax assets	27	**138,801**	290,794
		2,343,010	2,362,257
CURRENT ASSETS			
Inventories	16	**1,391,361**	1,501,868
Trade receivables	17	**765,330**	719,416
Other receivables and prepayments	18	**69,240**	571,899
Tax recoverable		**19,372**	15,222
Derivative financial assets	19	**21,016**	116,530
Bank balances	20	**1,028,529**	1,334,832
		3,294,848	4,259,767
TOTAL ASSETS		**5,637,858**	6,622,024
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	21	**300,000**	300,000
Retained earnings	22	**1,344,389**	1,832,959
Cash flow hedge reserve	23	**(97,195)**	(629,118)
Cost of hedging reserve	23	**(15,740)**	(1,156)
Exchange translation reserve	23	**(128,888)**	(128,888)
		1,402,566	1,373,797
CURRENT LIABILITIES			
Trade and other payables	24	**2,330,867**	2,720,572
Amounts due to penultimate holding company, immediate holding company and related company	25	**11,965**	16,419
Lease liabilities	15	**753**	7,235
Contract liabilities	28	**-**	1,566
Derivative financial liabilities	19	**170,667**	777,336
Borrowings	26	**1,216,366**	1,004,703
		3,730,618	4,527,831
NON-CURRENT LIABILITIES			
Derivative financial liabilities	19	**-**	115,282
Lease liabilities	15	**159**	870
Borrowings	26	**504,515**	604,244
		504,674	720,396
TOTAL EQUITY AND LIABILITIES		**5,637,858**	6,622,024

The accompanying notes to the financial statements form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	Issued and fully paid ordinary shares		Non-distributable			Distributable	
		Number of shares '000	Share capital RM'000	Cash flow hedge reserve RM'000	Cost of hedging reserve RM'000	Exchange translation reserve RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2023		**300,000**	**300,000**	**(629,118)**	**(1,156)**	**(128,888)**	**1,832,959**	**1,373,797**
Net loss for the financial year		**-**	**-**	**-**	**-**	**-**	**(488,570)**	**(488,570)**
Other comprehensive income/(expenses) for the financial year		**-**	**-**	**531,923**	**(14,584)**	**-**	**-**	**517,339**
Total comprehensive income/(expenses) for the financial year		**-**	**-**	**531,923**	**(14,584)**	**-**	**(488,570)**	**28,769**
At 31 December 2023		**300,000**	**300,000**	**(97,195)**	**(15,740)**	**(128,888)**	**1,344,389**	**1,402,566**
At 1 January 2022		300,000	300,000	(77,063)	(62,678)	(128,888)	2,020,599	2,051,970
Net loss for the financial year		-	-	-	-	-	(157,640)	(157,640)
Other comprehensive (expenses)/income for the financial year		-	-	(552,055)	61,522	-	-	(490,533)
Total comprehensive (expenses)/income for the financial year		-	-	(552,055)	61,522	-	(157,640)	(648,173)
Transaction with owners:								
Dividends paid	35	-	-	-	-	-	(30,000)	(30,000)
Total transaction with owners		-	-	-	-	-	(30,000)	(30,000)
At 31 December 2022		300,000	300,000	(629,118)	(1,156)	(128,888)	1,832,959	1,373,797

The accompanying notes to the financial statements form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	2023 RM'000	2022 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		**(499,960)**	(394,382)
Adjustments for:			
Interest expense		**110,488**	53,526
Interest income		**(15,456)**	(20,471)
Depreciation of property, plant and equipment		**134,761**	102,809
Depreciation of right-of-use assets		**6,540**	7,466
Amortisation of intangible assets		**2,605**	2,723
Reversal of provision for obsolete inventories		**(171)**	-
Inventories (written back)/written down		**(19,698)**	82,989
Impairment of receivables		**169**	-
Impairment of equipment		**-**	12,108
Amortisation of upfront and commitment fees for borrowings		**3,387**	2,563
Gain on modification of lease contracts		**(15)**	-
Net fair value losses/(gains) on derivative financial instruments - unrealised		**54,483**	(75,665)
Net foreign exchange losses/(gains) - unrealised		**75,918**	(126,694)
Operating loss before changes in working capital		**(146,949)**	(353,028)
Changes in working capital:			
Inventories		**130,376**	(12,286)
Trade and other receivables		**457,347**	(129,057)
Trade, other payables, contract liabilities and amounts due to penultimate holding company, immediate holding company and related company		**(477,205)**	502,633
Cash (used in)/generated from operations		**(36,431)**	8,262
Interest received		**15,456**	20,471
Tax paid		**(4,311)**	(12,171)
Tax refund		**174**	-
Net cash flows (used in)/generated from operating activities		**(25,112)**	16,562
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions of property, plant and equipment		**(244,612)**	(150,113)
Acquisitions of intangible assets		**-**	(290)
Net cash flows used in investing activities		**(244,612)**	(150,403)

The accompanying notes to the financial statements form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	2023 RM'000	2022 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		**(1,494,133)**	(1,840,106)
Proceeds from borrowings		**1,562,225**	2,740,325
Interest paid		**(109,328)**	(63,048)
Repayment of principal portion of lease liabilities		**(7,305)**	(7,996)
Restricted cash for borrowing facilities		**92,483**	4,245
Dividends paid		**-**	(30,000)
Net cash flows generated from financing activities		**43,942**	803,420
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(225,782)**	669,579
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		**1,233,608**	584,536
EFFECTS OF EXCHANGE RATE CHANGES		**11,962**	(20,507)
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	20	**1,019,788**	1,233,608

During the financial year ended 31 December 2023, the Company acquired property, plant and equipment with an aggregate cost of RM276,525,000 (2022: RM161,260,000). Cash payments of RM244,612,000 (2022: RM150,113,000) were made for acquisitions of property, plant and equipment. The aggregate balance unpaid at the financial year end of RM59,495,000 (2022: RM27,582,000) is included within accruals for capital expenditure as disclosed in Note 24 and Note 25 respectively.

The accompanying notes to the financial statements form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

1 GENERAL INFORMATION

The principal activities of the Company consist of refining and manufacturing of petroleum products. There has been no significant change in these activities during the financial year.

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 Company regards Malaysia Hengyuan International Limited ("MHIL"), a company incorporated in Labuan, Malaysia and Shandong Linyi County Petrochemical Factory, a company incorporated in China, as its immediate and ultimate holding companies respectively.

The address of the registered office of the Company is:

Unit 30-01, Level 30
Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No 8, Jalan Kerinchi
59200 Kuala Lumpur

The address of the principal place of business of the Company is:

Batu 1, Jalan Pantai
71000 Port Dickson
Negeri Sembilan

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

2.1 BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The financial statements of the Company have been prepared under the historical cost convention, unless otherwise indicated in the summary of material accounting policy information.

All values are rounded to the nearest thousand ("RM'000") except when otherwise indicated.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ. As at 31 December 2023, the areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.1 BASIS OF PREPARATION (continued)

(a) Standards, amendments to published standards and interpretations to existing standards that are effective to the Company

The Company has applied the following amendments to published standards for the first time for the financial year beginning on 1 January 2023:

- Amendments to MFRS 101 – Disclosure of Accounting Policies
- Amendments to MFRS Practice Statement 2 “Making Material Judgements” – Disclosure of Accounting Policies
- Amendments to MFRS 108 – Definition of Accounting Estimates
- Amendments to MFRS 112 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction and International Tax Reform – Pillar Two Model Rules

The adoption of the above amendments to published standards did not have any material impact on the financial performance or position of the Company as disclosed below.

(b) Amendments to published standards that are applicable to the Company but not yet effective

The Company will apply the new amendments to published standards in the financial year beginning on 1 January 2024:

- Amendments to MFRS 101 – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current
- Amendments to MFRS 16 – Lease Liability in a Sale and Leaseback
- Amendments to MFRS 107 and MFRS 7 – Supplier Finance Arrangements

The financial impact that may arise from the adoption of the above amendments to published standards is being assessed by the Company.

The Company will apply the new amendments to published standards and interpretations to existing standards in the financial year beginning on 1 January 2025:

- Amendments to MFRS 121 – Lack of Exchangeability

The financial impact that may arise from the adoption of the above amendments to published standards is being assessed by the Company.

2.2 FOREIGN CURRENCIES

The basis of accounting for foreign currency transactions is as follows:

(a) Functional and presentation currency

A company’s functional currency should reflect the underlying transactions, events and conditions that are relevant to it which includes the currency of the primary economic environment in which a company generates and expends cash, the currency in which funds from financing activities are generated and the currency in which receipts from operating activities are usually retained.

The financial statements are presented in Ringgit Malaysia (“RM”).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2 FOREIGN CURRENCIES (continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss as realised and unrealised foreign exchange gain or losses respectively.

2.3 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost or valuation deemed as cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The cost of an item of property, plant and equipment initially recognised includes its purchase price, import duties, non-refundable purchase taxes and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the intended manner. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (refer to accounting policy 2.16(b) on borrowing costs).

Subsequent to initial recognition, property, plant and equipment are measured at cost less accumulated depreciation and 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 lives. The carrying amount of any component accounted for as a separate asset is derecognised when replaced.

Freehold land is not depreciated as it has an infinite life.

All other property, plant and equipment are depreciated on a straight-line basis to allocate the cost, or the revalued amounts deemed as cost, to their residual values, over their estimated useful lives at the following annual rates:

Land improvements and buildings	2.5% - 10.0%
Plant, machinery and equipment	2.5% - 33.3%
Motor vehicles	20%

Depreciation on work-in-progress commences when the assets are ready for their intended use.

Plant, machinery and equipment comprise components of the refinery which are subject to different refurbishment cycles. Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

At the end of each reporting period, the Company assesses whether there is any indication of impairment. If such indicators exist, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. Refer to accounting policy 2.7 on impairment of non-financial assets. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on derecognition of the asset are included in the profit or loss in the financial year the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 MAINTENANCE COSTS

Asset replacement costs incurred by the Company for major scheduled maintenance of the refinery are capitalised as part of the refinery assets and depreciated on a straight-line basis over the period until the next major scheduled maintenance. All other repairs and maintenance are charged to profit or loss in the financial period they are incurred.

2.5 INTANGIBLE ASSETS

Intangible assets comprise software costs that are acquired by the Company, which have finite useful lives, and are measured at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets are amortised from the date that they are available for use and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of the intangible assets.

The estimated useful lives of intangible assets are between 3 and 10 years. Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

2.6 LEASES

Accounting by lessee

Leases are recognised as right-of-use ("ROU") asset and a corresponding liability at the date on which the leased asset is available for use by the Company (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

<u>Lease term</u>

In determining the lease term, the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Company reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Company and affects whether the Company is reasonably certain to exercise an option not previously included in the determination of the lease term. A revision in lease term results in remeasurement of the lease liabilities. See accounting policy on reassessment of lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.6 LEASES (continued)

Accounting by lessee (continued)

Right-of-use ("ROU") assets

(a) Initial measurement of ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

(b) Subsequent measurement of ROU assets

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the ROU asset shall be depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurements of the lease liabilities. The ROU assets are presented as a separate line in the statement of financial position.

Lease liabilities

(a) Initial measurement of lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU assets in a similar economic environment with similar terms, security and conditions.

The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Company under residual value guarantees;
- The exercise price of a purchase and extension options if the Company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments are allocated between principal and finance costs. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Company presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in profit or loss in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.6 LEASES (continued)

Accounting by lessee (continued)

Lease liabilities (continued)

(b) Subsequent measurement of lease liabilities

After the commencement date, a lessee shall measure the lease liability by:

i) increasing the carrying amount to reflect the unwinding of interest on the lease liability incurred;

ii) reducing the carrying amount to reflect the lease payments made; and

iii) remeasuring the carrying amount to reflect any reassessment or lease modifications which result in a change of any future variable lease payments or if there is a revision of in-substance fixed lease payments or a revision in the lease term.

(c) Reassessment of lease liabilities

After the commencement date, a lease liability is remeasured when there is a change to the lease payments where a revised discount rate is used if either:

i) a change in lease term due to the lessee exercises an option (purchase/termination/extension) in a different way than the Company has previously determined was reasonably certain; or

ii) a change in lease term due to an event occurs that contractually obliged/prohibits the lessee from exercising the option.

In contrast, the original discount rate shall be maintained and used to remeasure the lease liability to reflect changes to lease payments if either:

i) a change in the amounts expected to be payable under a residual value guarantee; or

ii) a change in future lease payments resulting from a change in an index or rate used to determine those payments.

A lessee shall recognise the amount of the remeasurement of the lease liability as an adjustment to the ROU asset. However, if the carrying amount of the ROU asset is reduced to zero and there is a further reduction in the measurement of the lease liability, a lessee shall recognise any remaining amount of the remeasurement in profit or loss.

Short term leases and leases of low value assets

Short term leases are leases with a lease term of 12 months or less. Low value assets comprise of small items such as IT equipment. Payments associated with short term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.7 IMPAIRMENT OF NON-FINANCIAL ASSETS

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell ("FVLCTS") and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating-units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.8 FINANCIAL ASSETS

Financial assets are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

(a) Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. The Company reclassifies its debt instruments when and only when its business model for managing those assets changes.

(b) Recognition and initial measurement

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest ("SPPI").

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.8 FINANCIAL ASSETS (continued)

(c) Subsequent measurement - debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company reclassifies debt instruments when and only when its business model for managing those assets changes.

There are three measurement categories into which the Company classifies its debt instruments.

(i) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost and subject to impairment. Interest income from these financial assets is included in other income using the effective interest rate method. Gains and losses are recognised in profit or loss within administrative expenses when the asset is derecognised, modified or impaired.

(ii) Fair value through other comprehensive income ("FVOCI")

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in other income using the effective interest rate method.

(iii) Fair value through profit or loss ("FVTPL")

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. The Company may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes are recognised in profit or loss within "other operating gains/losses".

(d) Impairment of financial assets

Impairment for debt instruments

The Company assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Company's financial instruments that are subject to ECL model are trade receivables and other receivables. While cash and cash equivalents are also subject to impairment requirements of MFRS 9, the identified impairment loss was immaterial.

ECL represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Company expects to receive, over the remaining life of the financial instrument.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.8 FINANCIAL ASSETS (continued)

(d) Impairment of financial assets (continued)

Impairment for debt instruments (continued)

For trade receivables, the Company applies the simplified approach permitted by MFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

For other receivables, the Company measures ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining useful life of the exposure, irrespective of the timing of default (a lifetime ECL).

Significant increase in credit risk

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor; or
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the Company and changes in the operating results of the debtor.

Definition of default and credit-impaired financial assets

The Company defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria:

The Company defines a financial instrument as default, when the counterparty fails to make contractual payment within 90 days of when they fall due.

Qualitative criteria:

The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial liability. The Company considers the following instances:

- the debtor is in breach of financial covenants;
- concessions have been made by the lender relating to the debtor's financial difficulty;
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the debtor is insolvent.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.8 FINANCIAL ASSETS (continued)

(d) Impairment of financial assets (continued)

Write off

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company.

Impairment losses on trade receivables are presented as net impairment losses within administrative expenses in the profit or loss. Subsequent recoveries of amounts previously written off are credited against the same line as applicable.

The Company writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Company may write off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in reversal of the amount previously written off in profit or loss.

(e) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

2.9 DERIVATIVES AND HEDGING ACTIVITIES

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as hedging instrument, and if so, the nature of the item being hedged. The Company designates its derivatives as hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The Company documents at the inception of the hedge relationship, the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of the hedged items. The Company documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 19. Movements in the hedging reserve in shareholders' equity are shown in Note 23(a). The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.9 DERIVATIVES AND HEDGING ACTIVITIES (continued)

(a) Cash flow hedge reserve

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within “other operating gains/losses”.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, as follows:

- The gain or loss relating to the effective portion of refining margin swaps hedging the volatility in refining margin is recognised in profit or loss within purchases in the same period as the forecast purchases of crudes and sale of petroleum products took place.
- The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowing is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings. There are no outstanding interest rate swap contracts for the financial year ended 31 December 2023 and 31 December 2022.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss and deferred cost of hedging in equity is reclassified to profit or loss in the same period that the hedged cash flows affect profit or loss. When hedged future cash flows or forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred cost of hedging that was reported in equity is immediately reclassified to profit or loss.

(b) Cost of hedging reserve

MFRS 9 introduces the concept of “cost of hedging” which is seen as cost of achieving the risk mitigation inherent in the hedge. When refining margin swap contracts are used to hedge forecast transactions, the Company generally designates only the change in fair value of the refining margin swap contracts related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the refining margin swap contracts are recognised in other comprehensive income and accumulated in cash flow hedge reserve within equity. The change in the swap basis spread of the contract that relates to the hedged item is recognised in other comprehensive income and accumulated in costs of hedging reserve within equity. The deferred cost of hedging will be recycled from equity and recognised in profit or loss in the same period that the hedged cash flows affect profit or loss.

(c) Hedge effectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

For refining margin swap hedges, the Company enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Company therefore performs a qualitative assessment on the effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Company uses the hypothetical derivative method to assess effectiveness.

In refining margin swap hedges, ineffectiveness may arise if there is a change in delivery date of crude oil, change in volume of hedged items or if there is a change in credit risk of the Company or the derivative counterparty. As all critical terms matched in the current and previous financial year, the economic relationship was highly effective.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.9 DERIVATIVES AND HEDGING ACTIVITIES (continued)

(c) Hedge effectiveness (continued)

For interest rate swap hedges, the Company may enter into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The Company does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. There are no interest rate swap hedges entered into during the financial year ended 31 December 2023 and 31 December 2022.

Hedge ineffectiveness for interest rate swaps, where applicable, is assessed using the same principles as for refining margin swap hedges. It may occur due to change in credit risk of the Company or the derivative counterparty, timing of interest rate swaps interest payment or reduction in the notional amount of the interest rate swaps.

(d) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. These derivatives are classified as held for trading and accounted for at fair value through profit or loss in “other operating gains/losses”.

(e) Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value.

Crude purchases resulting in variability in the payable associated with the commodity price gives rise to an embedded derivative which is not closely related to the host financial instrument. The Company has an accounting policy choice for subsequent changes in the fair value of the embedded derivative. Cost of inventory could be adjusted to reflect subsequent changes in the fair value of the embedded derivative on the basis that such changes are part of the purchase and other costs incurred in bringing the inventory to its present location and condition. Alternatively, these changes could be charged to profit or loss in accordance on the basis that the cost of inventory is determined at the time of delivery and the bifurcated embedded derivative should be accounted for separately as if it was a freestanding instrument.

The Company opted to reflect subsequent changes in the fair value of the embedded derivative as part of the cost of inventory. The chosen policy will be consistently applied.

2.10 TRADE AND OTHER RECEIVABLES

Trade receivables are amounts due from customers for oil products sold in the ordinary course of business. Other receivables generally arise from transactions outside the usual operating activities of the Company. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, where they are recognised at fair value plus transaction costs. Other receivables are recognised initially at fair value plus transaction costs. Transaction costs include transfer taxes and duties.

The Company holds trade and other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest rate method, less allowance for impairment. Details about the Company’s impairment policies and the calculation of ECL are provided in the accounting policy 2.8(d).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.11 CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash, bank balances, deposits with licensed banks and other short-term and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.12 INVENTORIES

Inventories are stated at the lower of cost and net realisable value.

Cost comprises direct purchase costs (including transportation, insurance and premium) and is determined using the first in, first out method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity and gains/losses on embedded derivatives for purchase of raw materials. It excludes borrowing costs. The cost of finished products includes the cost of crude oil, direct materials, labour and an appropriate proportion of fixed and variable manufacturing overheads.

Net realisable value is the estimate of selling price in the ordinary course of business, less any cost of completion and selling expenses.

2.13 FINANCIAL LIABILITIES

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

(a) Classification

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities held for trading include derivatives entered into by the Company that do not meet the hedge accounting criteria. Liabilities in this category are classified within current liabilities if they are either held for trading or are expected to be settled within 12 months after the reporting date. Otherwise, they are classified as non-current.

(ii) Other financial liabilities

The Company's other financial liabilities include trade payables, other payables, intercompany payables, lease liabilities and borrowings. Lease liabilities and borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(b) Recognition and initial measurement

Derivative liabilities are initially measured at fair value. Trade and other payables are recognised initially at fair value plus directly attributable transaction costs. Borrowings are recognised initially at fair value, net of transaction costs incurred. Lease liabilities are recognised initially at the present value of the lease payments not paid at that date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.13 FINANCIAL LIABILITIES (continued)

(c) Subsequent measurement – gains and losses

Derivative liabilities are subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences. Trade and other payables and borrowings are subsequently measured at amortised cost using the effective interest method. Lease liabilities are subsequently measured by increasing the carrying amount to reflect the unwinding of interest, and to reduce the carrying amount to reflect the lease payments made. For other financial liabilities, gains and losses are recognised in the profit or loss when the financial liabilities are derecognised, as well as through the amortisation process using the effective interest method.

(d) Derecognition

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.14 TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year after the reporting period (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value net of transaction costs incurred, which include transfer taxes and duties and subsequently measured at amortised cost using the effective interest method. See accounting policy 2.13 on financial liabilities.

2.15 PROVISIONS

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expected expenditures required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

2.16 BORROWINGS AND BORROWING COSTS

(a) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the fair value (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method, except for borrowing costs incurred for the construction of any qualifying asset.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facilities will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facilities will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facilities to which it relates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.16 BORROWINGS AND BORROWING COSTS (continued)

(a) Borrowings (continued)

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(b) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.17 OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

There are no financial assets and liabilities subject to offsetting for the financial year ended 31 December 2023 and 31 December 2022.

2.18 REVENUE

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

<u>Revenue from contracts with customers</u>

(a) Sale of oil products, partially refined oil products and feedstocks

The Company refines and sells refined and partially refined oil products as well as feedstocks to customers. Additionally, the Company also sells crude oil to its customers. Sales are recognised upon transfer of control of the goods to the customer. This is when products are delivered to the customer, the customer has full discretion over the channel and price to sell the products and there is no unfulfilled obligation that could affect the customer's acceptance of the 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.

A receivable is recognised when the products are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.18 REVENUE (continued)

Revenue from contracts with customers (continued)

(b) Procurement of oil products

The Company has contracts with its trading counterparties to acquire, on their behalf, oil products produced and resell back to them at a later date, where applicable. The Company is acting as an agent in these arrangements.

When another party is involved in providing oil products or services to its trading counterparties, the Company determines whether it is a principal or an agent in these transactions by evaluating the nature of its promise to the trading counterparties. The Company is a principal and records revenue on a gross basis if it controls the promised oil products before transferring them to the trading counterparties. However, if the Company's role is only to arrange for another entity to provide the oil products, then the Company is an agent and will need to record revenue at the net amount that it retains for its agency services.

Revenue from other sources – interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.19 PURCHASES

Purchases reflect all costs related to acquisition of inventories and supplies used for conversion into finished products, including the effects of the changes therein (cost of inventories), foreign exchange gains and losses.

2.20 EMPLOYEE BENEFITS

(a) Short-term employee benefits

The Company recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Wages, salaries, paid annual leave, sick leave, bonuses, social security contributions and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Company. Short term accumulating compensated absences such as paid annual leave is recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(b) Post-employment benefits

The Company's post-employment benefit scheme comprises only of the defined contribution plan.

Contributions to the Employees' Provident Fund, which is a defined contribution plan, are charged to the profit or loss when incurred. Once the contributions have been paid, the Company has no further payment obligations.

(c) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the reporting date.

(d) Long-term employee benefits

The Company provides death in service and long-term disability benefits to its employees. The benefit is on a lump sum basis based on a multiplier of the last drawn average annual salary of the employee and is not dependent on the employee's length of service. Accordingly, it is charged to profit or loss when incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.21 CURRENT AND DEFERRED INCOME TAX

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the best estimate of the most likely outcome.

Deferred tax assets and liabilities are recognised on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets including tax benefits from reinvestment allowance are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on the taxable entity.

2.22 SHARE CAPITAL

(a) Classification

An equity instrument is any contract that evidence a residual interest in the assets of the Company, after deducting all of its liabilities. Ordinary shares are classified as equity. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs.

(b) Dividend distribution

Dividend distribution to owners of the Company is debited directly to equity. The corresponding liability is recognised in the period in which the dividends are approved.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.23 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in the ordinary shares issued during the financial year and excluding treasury shares.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.24 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Company does not recognise contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past event whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company. The Company does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

There are no events that require disclosure of contingent liabilities and contingent assets for the financial year ended 31 December 2023 and 31 December 2022.

2.25 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

No segmental information is considered necessary for analysis by business or by geographical segments. This is because the Company is principally engaged in the business of refining and manufacturing of petroleum products in Malaysia, which is a single business segment. Also, the Company's primary segment operations are also concentrated within Malaysia, hence operating within a single geographical segment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amount of assets within the next financial year is:

(a) Recoverability of the carrying amount of refinery assets

The Company reviews the carrying amount of its property, plant and equipment, intangible assets and ROU assets (collectively the refinery assets cash-generating-units ("CGU")) in accordance with its accounting policy 2.7 on impairment of non-financial assets. 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 FVLCTS calculations include projected refining margins adjusted for planned turnaround activities, margin uplift initiatives from crude optimisation and estimated production volume based on existing production capacity and forecast demand. The FVLCTS 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 to reflect market participants' perspective (level three (3) in fair value hierarchy) and extrapolating the cash flows over a 20-year period, which reflects the remaining useful life of the refinery assets.

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

(i) Refining margins per barrel: Between USD3.81 to USD4.57 (2022: USD3.29 to USD6.44)

(ii) Post-tax discount rate: 9.8% (2022: 11.5%)

(iii) Production volume: Based on existing production capacity and forecast demand, considering the impact from climate-related risk

Sensitivity analysis:

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

- 4.02% (2022: 4.29%) 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.
- 3.22% (2022: 3.49%) 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.
- 11.49% (2022: 6.62%) 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.

Refinery margins are subject to cyclical fluctuations resulting from an over-supply and supply tightness in various global and regional markets. Fluctuations in the short term may result in significant changes in profit or loss.

The Directors have considered the impact of climate-related risks in the assumptions, especially on the production volume used to determine the FVLCTS and do not expect the impact to the recoverable amount of the refinery assets to be material at this juncture.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(b) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and unused reinvestment allowances to the extent that it is probable that taxable profit will be available against which these tax benefits can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits.

Assumptions about generation of future taxable profits depends on management's estimates of future production and sales volume, operating costs and capital expenditure. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statement of financial position and the amount of unrecognised tax losses, unrecognised unabsorbed capital allowances and unrecognised unused reinvestment allowances.

Pursuant to the Malaysia Finance Act 2021 gazetted on 31 December 2021, the time limit to carry forward unused tax losses has been extended to ten consecutive years of assessment from seven years of assessment ("YA"), whereas the unused reinvestment allowances claimed under paragraph 2B, Schedule 7A of the Income Tax Act 1967 can be carried forward for seven consecutive YAs after YA 2024. Unabsorbed capital allowances can be carried forward indefinitely. The change in the tax treatment is effective from YA 2019 and therefore all the brought forward unused tax losses from YA 2018 will be disregarded after YA 2028 and losses incurred in YA 2022 and in YA 2023 will be disregarded after YA 2032 and YA 2033 respectively. The reinvestment allowances claimed in YA 2022 will be disregarded after YA 2031.

In the current financial year, the Company has recognised deferred tax assets of RM138,801,000 (2022: RM290,794,000) arising from unused tax losses, unabsorbed capital allowances and unused reinvestment allowances as it is probable that future taxable profits will be available to offset against these tax benefits.

(c) Net realisable value of the hydrocarbon inventories

Volatility from both supply and demand side in various global and regional markets may affect the estimated net realisable value of hydrocarbon inventories. The estimated selling prices may fluctuate due to changes in the customers' demand for petroleum. The Company needs to estimate 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 confirm 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.

Based on the assessment performed, the Company has provided RM105,226,000 (2022: RM124,924,000) for inventories write down.

(d) Valuation of derivatives

The Company has entered into various contracts for derivatives financial instruments to manage its exposure to crude oil and petroleum product prices and foreign currency exchange rates fluctuations. Crude oil and petroleum products prices and foreign currency exchange rates are heavily influenced by the global and regional economic conditions, political stability, domestic and international government regulations which are beyond the control of the Company. The Company accounts for the fair value of these derivatives based on the mark-to-market valuations performed by the external trading counterparties. Judgements on estimates are required to establish that the mark-to-market valuation performed is within a tolerable range reflecting the prevailing market conditions as at the reporting date. Refer to Note 19 for the details of derivative instruments contracted by the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of financial risks; market risk (including foreign currency exchange risk, interest rate risk, commodity price risk and refining margin risk), credit risk, liquidity and cash flow risk and capital risk. The Company's overall financial risk management objective is to ensure the Company creates value for its shareholders. The Company focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company. Financial risk management is carried out through risk reviews, assurance plans, internal control systems, insurance programmes and adherence to the Company's Treasury Policy and Procedures.

The Company may enter into foreign exchange forward contracts to manage its exposure to foreign currency risks in receivables and payables. Straightforward derivative financial instruments are utilised by the Company to manage the exposure to foreign currency exchange risk, commodity price risk, refining margin risk and interest rate risks. The Company does not enter into derivative financial instruments that are speculative in nature.

Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. This will effectively result in recognising interest expense at a fixed interest rate for the hedged floating rate loans and locking the refining margin for the hedged forecast purchases and sales.

The Company's accounting policy on its cash flow hedges is set out on Note 2.9(a).

For information about the methods and assumptions used in determining the fair value of derivatives refer to Note 5.

(a) Market risk

Market risk refers to the risk that changes in market prices, such as foreign exchange rates, interest rates and prices will affect the Company's financial position and cash flows.

(i) Foreign currency exchange risk

Foreign currency exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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 foreign currency swaps and forward contracts to limit its exposure on foreign currency receivables and payables and on cash flows generated from anticipated transactions denominated in foreign currencies. These foreign currency receivables and payables do not qualify as "highly probable" forecast transactions and hence do not satisfy the requirements for hedge accounting (economic hedges). The foreign currency swaps and forward contracts are subject to the same risk management policies as all other derivative contracts. They are accounted for as "held for trading" with gains or losses recognised in profit or loss.

The following analysis illustrates the Company's sensitivity to changes in USD to RM exchange rate:

	Increase/(Decrease) in profit after tax	
	2023	**2022**
	RM'000	**RM'000**
USD strengthens by 10%	**(68,049)**	(89,100)
USD weakens by 10%	**68,049**	89,100

The Company's exposure to other foreign exchange movements is not material.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market risk (continued)

(ii) 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.

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 is 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.

The interest rate profile of the Company's significant interest-bearing financial instrument has been presented in Note 26.

<u>Cash flow sensitivity analysis for variable rate instruments</u>

The Company analyses its cash flow interest rate exposure on a regular basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging.

The following analysis illustrates the Company's sensitivity to changes in interest rate:

	Increase/(Decrease) in profit after tax	
	2023	**2022**
	RM'000	**RM'000**
100 basis points increase in interest rate	**(13,035)**	(12,215)
100 basis points decrease in interest rate	**13,035**	12,215

(iii) 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.

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 "held for trading" with gains or losses recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market risk (continued)

(iii) Commodity price risk and refining margin risk (continued)

The table shows the effect of market price changes on the fair value of the Company's commodity swaps:

	Increase/(Decrease) in profit after tax	
	2023	**2022**
	RM'000	**RM'000**
10% increase in commodity price	**(54,014)**	(43,073)
10% decrease in commodity price	**54,014**	43,073

The table shows the effect of price changes on the fair value of the Company's refining margin swaps:

	Increase/(Decrease) in equity		Increase/(Decrease) in profit after tax	
	2023	**2022**	**2023**	**2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
10% increase in refining margin	**(29,201)**	(123,428)	**2,110**	26,425
10% decrease in refining margin	**29,201**	123,428	**(2,110)**	(26,425)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. At the reporting date, the Company's maximum exposure to credit risk is represented by the carrying amounts of each class of financial assets recognised in the statement of financial position.

(i) Receivables

Credit risk on customers arises when sales are made on credit terms. It seeks to control credit risk by setting counterparty limits and ensuring 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 to ensure that the Company is exposed to a minimal credit risk. The maximum credit exposure associated with financial assets is equal to the carrying amount.

62% (2022: 56%) of the Company's total receivables at the reporting date are due from two (2022: two) major customers in the oil and gas industry in Malaysia. The Directors are of the view that such credit risk 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.

An impairment analysis is performed at each reporting date to measure expected credit losses. The provision 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, trade receivables are written off if 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.

Information about credit exposure on the Company's trade receivables is disclosed in Note 17.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Credit risk (continued)

(ii) Deposits with licensed banks, bank balances and favourable derivative financial instruments

The Company seeks to invest cash assets safely and profitably. Deposits, forward contracts and interest rate swaps 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 favourable derivative financial instruments 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.

None of the financial assets have been renegotiated in the current financial year.

(c) Liquidity and cash flow risks

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 ensures that cash is available to meet working capital and other financing obligations, and that cash flows are managed efficiently. This is done through cash flows forecasts to achieve optimal cash management planning. The Company sets a minimum level of cash to be held on a daily basis in order to meet both firm commitments and forecast obligations. The Company has sufficient facilities from the banks to meet its liabilities when they fall due. The revolving credit facilities will be reviewed and renewed annually by the banks.

As at 31 December 2023, the Company has a net current liabilities position of RM435,770,000. 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 is able to generate sufficient cash flows for the next twelve months from the date of approval of the financial statements to meet their operation requirements as and when falls due.

As at 31 December 2023, there are outstanding borrowings amounting to RM1,720,881,000 (2022: RM1,608,947,000) as disclosed in Note 26.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Liquidity and cash flow risks (continued)

All financial liabilities of the Company that will be due and payable within the next 12 months are classified within current liabilities. The contractual cash flows of derivative financial liabilities and non-derivative financial liabilities are presented below:

At 31 December 2023	Within 1 year RM'000	Between 1 to 2 years RM'000	Between 2 to 5 years RM'000	Total contractual undiscounted cash flows RM'000	Total carrying amount RM'000
Non-derivative financial liabilities					
Trade and other payables excluding statutory liabilities and prepaid income	**2,324,379**	**-**	**-**	**2,324,379**	**2,324,379**
Lease liabilities	**768**	**162**	**-**	**930**	**912**
Amounts due to penultimate holding company and related company	**11,965**	**-**	**-**	**11,965**	**11,965**
Borrowings	**1,245,491**	**160,700**	**391,466**	**1,797,657**	**1,720,881**
	3,582,603	**160,862**	**391,466**	**4,134,931**	**4,058,137**
Derivative financial liabilities (Note 19)					
Refining margin swap contracts	**149,887**	**-**	**-**	**149,887**	**149,887**
Commodity swap contracts	**10,712**	**-**	**-**	**10,712**	**10,712**
Forward foreign currency contracts	**10,068**	**-**	**-**	**10,068**	**10,068**
	170,667	**-**	**-**	**170,667**	**170,667**
	3,753,270	**160,862**	**391,466**	**4,305,598**	**4,228,804**
At 31 December 2022					
Non-derivative financial liabilities					
Trade and other payables excluding statutory liabilities	2,709,874	-	-	2,709,874	2,709,874
Lease liabilities	7,278	667	225	8,170	8,105
Amounts due to penultimate holding company, immediate holding company and related company	16,419	-	-	16,419	16,419
Borrowings	1,042,255	126,713	546,886	1,715,854	1,608,947
	3,775,826	127,380	547,111	4,450,317	4,343,345
Derivative financial liabilities (Note 19)					
Refining margin swap contracts	724,519	115,282	-	839,801	839,801
Commodity swap contracts	40,158	-	-	40,158	40,158
Forward foreign currency contracts	12,659	-	-	12,659	12,659
	777,336	115,282	-	892,618	892,618
	4,553,162	242,662	547,111	5,342,935	5,235,963

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Capital risk management

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 gearing ratio. This ratio is calculated as total borrowings divided by total capital. The capital structure of the Company consists of borrowings and total equity.

	2023 RM'000	2022 RM'000
Total borrowings	**1,720,881**	1,608,947
Total equity	**1,402,566**	1,373,797
Total borrowings	**1,720,881**	1,608,947
Total capital	**3,123,447**	2,982,744
Gearing ratio	**55%**	54%

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.

5 FAIR VALUE MEASUREMENTS

Financial instruments carried at amortised cost

The carrying amounts of financial assets and liabilities measured at amortised cost approximate their respective fair values.

Financial instruments carried at fair value

Refining margin swap contracts, forward foreign currency contracts, forward priced commodity contracts, commodity options, commodity swap contracts and interest rate 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.

Fair value hierarchy

The Company measures fair value using the following fair value hierarchy that reflects the significance of the input used in making the measurements:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

5 FAIR VALUE MEASUREMENTS (continued)

Fair value hierarchy (continued)

Derivative financial instruments outstanding as at the reporting date are detailed below:

Derivatives	As at 31 December 2023 Notional Value USD'000	 Fair Value RM'000
Refining margin swap contracts, net	**55,717**	(143,974)
Forward foreign currency contracts	**193,000**	(10,068)
Commodity swap contracts	**248,500**	967
Forward priced commodity contracts	**23,875**	3,424

Derivatives	As at 31 December 2022 Notional Value USD'000	 Fair Value RM'000
Refining margin swap contracts, net	235,068	(723,271)
Forward foreign currency contracts	181,500	(12,659)
Commodity swap contracts	119,734	(40,158)

The table below summarises all financial instruments carried at fair value as at the reporting date, based on a hierarchy that reflects the significance of the inputs used in measuring its respective fair values.

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets/(liabilities)				
Derivative financial assets:				
- Refining margin swap contracts	**-**	**5,913**	**-**	**5,913**
- Commodity swap contracts	**-**	**11,679**	**-**	**11,679**
- Forward priced commodity contracts	**-**	**3,424**	**-**	**3,424**
Derivative financial liabilities:				
- Refining margin swap contracts	**-**	**(149,887)**	**-**	**(149,887)**
- Commodity swap contracts	**-**	**(10,712)**	**-**	**(10,712)**
- Forward foreign currency contracts	**-**	**(10,068)**	**-**	**(10,068)**
At 31 December 2023	**-**	**(149,651)**	**-**	**(149,651)**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

5 FAIR VALUE MEASUREMENTS (continued)

Fair value hierarchy (continued)

The table below summarises all financial instruments carried at fair value as at reporting date, based on a hierarchy that reflects the significance of the inputs used in measuring its respective fair values. (continued)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets/(liabilities)				
Derivative financial assets:				
- Refining margin swap contracts	-	116,530	-	116,530
Derivative financial liabilities:				
- Refining margin swap contracts	-	(839,801)	-	(839,801)
- Commodity swap contracts	-	(40,158)	-	(40,158)
- Forward foreign currency contracts	-	(12,659)	-	(12,659)
At 31 December 2022	-	(776,088)	-	(776,088)

During the current and previous financial year, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurement. The fair values were obtained from the counterparties.

6 REVENUE

	2023 RM'000	2022 RM'000
Sale of oil products:		
- refined	**15,396,345**	21,137,676
- crude oil	**2,895**	4,617
	15,399,240	21,142,293

The sale of oil products is recognised at point in time.

7 OTHER INCOME

	2023 RM'000	2022 RM'000
Interest income	**15,456**	20,471
Liquidated damages	**-**	19,590
Insurance claims	**9,847**	950
Gain on modification of lease contract	**15**	-
	25,318	41,011

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

8 FINANCE COST

	2023 RM'000	2022 RM'000
Interest expense:		
- borrowings	**93,188**	41,647
- amortisation of upfront and commitment fees for borrowings	**3,387**	2,563
- lease liabilities	**68**	359
- factoring agreement	**17,232**	11,520
	113,875	56,089

9 LOSS BEFORE TAXATION

	2023 RM'000	2022 RM'000
The loss before taxation is arrived at after charging/(crediting):		
Auditors' remuneration:		
- statutory audit fees	**391**	391
- audit-related fees	**74**	74
- fees for non-audit services**	**27**	77
Cost of inventories	**14,478,851**	19,110,830
Staff cost:		
- salaries, bonus and allowances	**68,418**	65,773
- defined contribution plan	**10,231**	9,471
- other employee benefits	**6,375**	5,056
Foreign exchange (gains)/losses:		
- realised	**(10,333)**	240,628
- unrealised	**75,918**	(126,694)
Net fair value losses/(gains) on derivative financial instruments:		
- included in purchases (Note 23)	**711,882**	1,459,890
- included in other operating gains/(losses)	**(204,442)**	237,583
Depreciation of property, plant and equipment	**134,761**	102,809
Depreciation of right-of-use assets	**6,540**	7,466
Amortisation of intangible assets	**2,605**	2,723
Inventories (written back)/written down - net	**(19,698)**	82,989
Reversal of provision for obsolete inventories	**(171)**	-
Impairment of receivables	**169**	-
Impairment of equipment (Note 13)	**-**	12,108

** Non-audit services comprising of tax related and other advisory services provided by the member firms of the Company's auditors.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

10 TAXATION

	2023 RM'000	2022 RM'000
Current tax		
- over accrual in prior year	**(13)**	-
	(13)	-
Deferred taxation (Note 27)		
- origination and reversal of temporary differences	**4,028**	(235,921)
- over accrual in prior year	**(15,405)**	(821)
	(11,377)	(236,742)
Taxation recognised in profit or loss	**(11,390)**	(236,742)
Deferred taxation (Note 27)		
- origination and reversal of temporary differences	**163,370**	(154,841)
Taxation recognised in other comprehensive income	**163,370**	(154,841)

Income tax is calculated at the Malaysian statutory tax rate of 24% (2022: 24%) of the estimated assessable profit for the financial year. The numerical reconciliation between the effective tax rate and the applicable statutory tax rate is as follows:

	2023 %	2022 %
Applicable statutory tax rate	**(24)**	(24)
Tax effects in respect of:		
- expenses not deductible for tax purposes	**1**	7
- income not subject to tax	**(3)**	-
- over accrual in prior year	**(3)**	-
- deferred tax assets not recognised on unused tax losses	**17**	-
- derecognition of reinvestment allowance previously recognised (recognition of reinvestment allowance)	**10**	(43)
Effective tax rate	**(2)**	(60)

The tax effects of reinvestment allowance recognised in 2022 was related to the qualifying projects that were completed during the financial year ended 31 December 2022.

11 LOSS PER SHARE

Basic earnings per share of the Company is calculated by dividing the profit or loss for the financial year by the weighted average number of ordinary shares in issue during the financial year.

There are no potentially diluted items identified in the current and previous financial year, hence diluted earnings per share equals to basic earnings per share.

	2023	2022
Loss for the financial year (RM'000)	**(488,570)**	(157,640)
Weighted average number of ordinary shares in issue ('000)	**300,000**	300,000
Basic/Diluted loss per share (sen)	**(163)**	(53)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

12 DIRECTORS' REMUNERATION

	2023 RM'000	2022 RM'000
Fees	**1,900**	1,956
Allowances	**22**	25
	1,922	1,981

Indemnity insurance for Directors and Officers of the Company during the financial year amounted to RM72,000 (2022: RM49,000).

13 PROPERTY, PLANT AND EQUIPMENT

2023	Freehold land RM'000	Land improvements RM'000	Buildings RM'000	Plant, machinery, equipment and motor vehicles RM'000	Work-in-progress RM'000	Total RM'000
Cost or deemed cost						
At 1 January	**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	**46,535**	**14,299**	**99,791**	**5,064,868**	**21,193**	**5,246,686**
Accumulated depreciation						
At 1 January	**-**	**13,662**	**69,472**	**2,762,742**	**-**	**2,845,876**
Charge for the financial year	**-**	**101**	**2,426**	**132,234**	**-**	**134,761**
Write-offs	**-**	**-**	**-**	**(163,604)**	**-**	**(163,604)**
At 31 December	**-**	**13,763**	**71,898**	**2,731,372**	**-**	**2,817,033**
Accumulated impairment losses						
At 1 January	**-**	**-**	**-**	**220,561**	**12,108**	**232,669**
At 31 December	**-**	**-**	**-**	**220,561**	**12,108**	**232,669**
Carrying amount						
At 31 December	**46,535**	**536**	**27,893**	**2,112,935**	**9,085**	**2,196,984**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

13 PROPERTY, PLANT AND EQUIPMENT (continued)

2022	Freehold land RM'000	Land improvements RM'000	Buildings RM'000	Plant, machinery, equipment and motor vehicles RM'000	Work-in-progress RM'000	Total RM'000
Cost or deemed cost						
At 1 January	46,219	14,299	99,791	3,733,516	1,078,680	4,972,505
Additions	-	-	-	-	161,260	161,260
Reclassification	-	-	-	1,215,247	(1,215,247)	-
At 31 December	46,219	14,299	99,791	4,948,763	24,693	5,133,765
Accumulated depreciation						
At 1 January	-	13,564	67,419	2,662,084	-	2,743,067
Charge for the financial year	-	98	2,053	100,658	-	102,809
At 31 December	-	13,662	69,472	2,762,742	-	2,845,876
Accumulated impairment losses						
At 1 January	-	-	-	220,561	-	220,561
Charge for the financial year	-	-	-	-	12,108	12,108
At 31 December	-	-	-	220,561	12,108	232,669
Carrying amount						
At 31 December	46,219	637	30,319	1,965,460	12,585	2,055,220

Assets pledged as security

Property, plant and equipment as at the reporting date are pledged as security for borrowings as disclosed in Note 26.

Capitalised borrowing costs

The amount of borrowing costs capitalised during the financial year ended 31 December 2022 was RM14,369,000. The rate used to determine the amount of borrowing costs eligible for capitalisation was 2.80%, which was the weighted average of the borrowing costs applicable to the borrowings of the Company. There is no borrowing cost capitalised during the financial year ended 31 December 2023.

Impairment of equipment

A work-in-progress equipment amounting to RM12,108,000 was impaired as there was no planned usage of the equipment as at 31 December 2022. There is no impairment made during the financial year ended 31 December 2023.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

14 INTANGIBLE ASSETS

	2023 RM'000	2022 RM'000
Cost		
At 1 January	**65,167**	64,877
Additions	**-**	290
At 31 December	**65,167**	65,167
Accumulated amortisation		
At 1 January	**57,798**	55,075
Amortisation for the financial year	**2,605**	2,723
At 31 December	**60,403**	57,798
Carrying amount		
At 31 December	**4,764**	7,369

Intangible assets mainly relate to costs incurred by the Company in setting up its standalone IT systems.

The useful life of IT development and software is between 3 and 10 years (2022: 3 and 10 years).

The amortisation of IT development and software costs are included in the "depreciation and amortisation" line item in the profit or loss.

15 LEASES

(i) The balance sheet shows the following amounts relating to leases:

Right-of-use assets

2023	Land lease RM'000	Equipment RM'000	Tugboats RM'000	Vehicles RM'000	Total RM'000
Cost					
At 1 January	**1,626**	**1,024**	**34,746**	**1,541**	**38,937**
Additions	**-**	**409**	**-**	**-**	**409**
Lease modifications	**-**	**(525)**	**-**	**(15)**	**(540)**
At 31 December	**1,626**	**908**	**34,746**	**1,526**	**38,806**
Accumulated depreciation					
At 1 January	**74**	**613**	**28,041**	**1,335**	**30,063**
Charge for the financial year	**20**	**95**	**6,157**	**268**	**6,540**
Lease modifications	**-**	**(158)**	**-**	**(100)**	**(258)**
At 31 December	**94**	**550**	**34,198**	**1,503**	**36,345**
Carrying amount					
At 31 December	**1,532**	**358**	**548**	**23**	**2,461**

Land lease as at the reporting date are pledged as security for borrowings as disclosed in Note 26.

The depreciation of right-of-use assets is included in the "depreciation and amortisation" line item in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

15 LEASES (continued)

(i) The balance sheet shows the following amounts relating to leases: (continued)

Right-of-use assets (continued)

2022	Land lease RM'000	Equipment RM'000	Tugboats RM'000	Vehicles RM'000	Total RM'000
Cost					
At 1 January	1,626	1,024	34,746	1,541	38,937
At 31 December	1,626	1,024	34,746	1,541	38,937
Accumulated depreciation					
At 1 January	54	425	21,091	1,027	22,597
Charge for the financial year	20	188	6,950	308	7,466
At 31 December	74	613	28,041	1,335	30,063
Carrying amount					
At 31 December	1,552	411	6,705	206	8,874

Lease liabilities

	2023 RM'000	2022 RM'000
Current	**753**	7,235
Non-current	**159**	870
At 31 December	**912**	8,105

(ii) Nature of the lessee's leasing activities and restrictions or covenants imposed by leases

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.

The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowings, except for land lease.

(iii) Variable payments terms

The Company does not have any variable payment terms on its lease agreements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

15 LEASES (continued)

(iv) Extension options and termination options

Extension and termination options are included in lease contracts across the Company. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Extension and termination options are included, when possible, to provide greater flexibility. The individual terms and conditions used vary across the lease contracts.

In cases in which the Company is not reasonably certain to exercise an optional extended lease term, payments associated with the optional period are not included within lease liabilities. In the current and previous financial year, the Company did not exercise any extension option, therefore no financial effect recognised in lease liabilities. However, the Company modified two of its lease contracts in the current financial year. Gain on modification of lease contract is included in "other income" line item in the profit or loss.

Some of the lease agreements contain termination options. These options are used to limit the period to which the Company is committed to individual lease contracts and to maximise operational flexibility. For these lease agreements, recognised lease liabilities do not include potential future rental payments after the exercise date of termination options because the Company is not reasonably certain to extend the lease beyond that date. This is the case for most leases for which a longer lease term can be enforced only by the Company and not by the lessor, and for which there is no penalty associated with the option.

(v) Movement in lease payables and changes in lease liabilities arising from leasing activities is as below:

	2023 RM'000	2022 RM'000
At 1 January	**8,105**	16,101
Repayment of lease liabilities	**(7,373)**	(8,355)
Non-cash changes:		
- Additions	**409**	-
- Modification on lease contracts	**(297)**	-
- Interest expense (Note 8)	**68**	359
At 31 December	**912**	8,105

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

16 INVENTORIES

	2023 RM'000	2022 RM'000
Crude oil	**688,602**	705,634
Petroleum products	**773,757**	871,343
Inventories written down	**(105,226)**	(124,924)
	668,531	746,419
Materials	**36,183**	51,941
Provision for obsolete inventories	**(1,955)**	(2,126)
	34,228	49,815
	1,391,361	1,501,868

Included within crude oil and petroleum products is stock in transit as at 31 December 2023 of RM33,012,000 (2022: nil).

Inventories as at the reporting date are pledged in favour of a vendor to secure credit lines for crude oil and product purchases.

17 TRADE RECEIVABLES

	2023 RM'000	2022 RM'000
Trade receivables	**765,499**	719,416
Less: Impairment loss allowance	**(169)**	-
	765,330	719,416

The credit terms range between 15 to 30 days (2022: 15 to 30 days).

(i) Transferred receivables

The carrying amounts of the trade receivables include receivables which are subject to a factoring arrangement. 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. The Company considers that the held to collect business model remains appropriate for these receivables and hence continues to measure them at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

17 TRADE RECEIVABLES (continued)

(ii) The Company maintains an aging analysis for trade receivables. The following table provides information about the exposure to ECL on trade receivables as at the reporting date.

2023	Gross RM'000	Impairment RM'000	Net RM'000
Current	**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**
2022			
Current	705,739	-	705,739
1 to 30 days past due	12,372	-	12,372
31 to 180 days past due	630	-	630
More than 180 days past due	675	-	675
	719,416	-	719,416

(iii) Movement on the impairment loss allowance of trade receivables is as follows:

	2023 RM'000	2022 RM'000
At 1 January	**-**	25,821
Amount written off	**-**	(25,821)
Impairment loss recognised	**169**	-
At 31 December	**169**	-

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. Receivables amounting to RM23,066,000 (2022: RM33,595,000) were secured by bank guarantees.

Up to USD50,000,000 or RM229,900,000 (2022: USD50,000,000 or RM219,900,000) of trade receivables as at the reporting date are pledged in favour of a vendor to secure credit lines for crude oil purchases.

18 OTHER RECEIVABLES AND PREPAYMENTS

	2023 RM'000	2022 RM'000
Other receivables and deposits	**64,789**	566,473
Prepayments	**4,451**	5,426
	69,240	571,899

The carrying amounts of financial assets (excluding prepayments) at the end of the reporting date approximated their fair values.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

19 DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

The Company has the following derivative financial instruments:

	2023 RM'000	2022 RM'000
Current assets		
Refining margin swap contracts – cash flow hedges	**-**	1,968
Refining margin swap contracts – held for trading	**5,913**	114,562
Commodity swap contracts – held for trading	**11,679**	-
Forward priced commodity contracts – held for trading	**3,424**	-
	21,016	116,530
Current liabilities		
Refining margin swap contracts – cash flow hedges	**149,887**	717,282
Refining margin swap contracts – held for trading	**-**	7,237
Commodity swap contracts – held for trading	**10,712**	40,158
Forward foreign currency contracts – held for trading	**10,068**	12,659
	170,667	777,336
Non-current liabilities		
Refining margin swap contracts – cash flow hedges	**-**	115,282
	-	115,282

Derivatives designated as hedging instrument

(a) 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 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 9 months (2022: 1 to 21 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 highly effective. The net unrealised loss of RM149,887,000 (2022: unrealised loss of RM830,596,000), with a related deferred tax asset of RM35,973,000 (2022: deferred tax asset of RM199,343,000) was included in other comprehensive income in respect of these contracts for the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

19 DERIVATIVE FINANCIAL ASSETS/(LIABILITIES) (continued)

Derivatives designated as hedging instrument (continued)

(a) Refining margin swap contracts (continued)

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

	2023	2022
Carrying amount liability, net (RM'000)	**(149,887)**	(830,596)
Notional value (USD'000)	**50,965**	180,413
Maturity date	**January 2024 to September 2024**	January 2023 to September 2024
Hedge ratio (%)	**100**	100
Change in fair value of designated hedging instruments (RM'000)	**(129,177)**	(829,075)
Change in value of hedged item used to determine hedge effectiveness (RM'000)	**129,177**	829,075
Gross margin per barrel (USD)	**9.50 to 16.30**	9.50 to 36.10

Derivatives not designated as hedging instrument

(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 refining margin swap contracts to manage its commodity price risk and inventory holding cost. The Company does not designate these derivatives as hedging instruments.

20 CASH AND CASH EQUIVALENTS

	2023 RM'000	2022 RM'000
Bank balances	**1,028,529**	1,334,832
Less: Restricted cash	**(8,741)**	(101,224)
	1,019,788	1,233,608

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

21 SHARE CAPITAL

	2023 RM'000	2022 RM'000
Issued and fully paid 300,000,000 units of ordinary shares		
At 1 January/At 31 December	**300,000**	300,000

22 RETAINED EARNINGS

The Company is able to distribute dividends out of its retained earnings under the single-tier system.

23 OTHER RESERVES

(a) Cash flow hedge reserve and cost of hedging reserve

The cash flow hedge reserve is used to record gains and losses on derivatives that are designated and qualify as cash flow hedges and that are recognised in other comprehensive income. Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

The cost of hedging is seen as cost of achieving the risk mitigation inherent in the hedge. It is incurred to protect the Company against unfavourable changes in price. The changes in the cost of hedging is initially recognised in other comprehensive income and removed from equity and recognised in profit or loss in the same period that the hedged cash flows affect profit or loss.

2023	Cash flow hedge reserve RM'000	Cost of hedging reserve RM'000
At 1 January	**(629,118)**	**(1,156)**
Refining margin swap contracts	**(11,984)**	**(19,189)**
Recycled to profit or loss, included in purchases (Note 9)	**711,882**	**-**
Deferred tax	**(167,975)**	**4,605**
At 31 December	**(97,195)**	**(15,740)**

2022		
At 1 January	(77,063)	(62,678)
Interest rate swap contracts	2,059	-
Refining margin swap contracts	(2,191,570)	80,950
Recycled to profit or loss, included in finance cost	3,297	-
Recycled to profit or loss, included in purchases (Note 9)	1,459,890	-
Deferred tax	174,269	(19,428)
At 31 December	(629,118)	(1,156)

(b) Exchange translation reserve

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

24 TRADE AND OTHER PAYABLES

	2023 RM'000	2022 RM'000
Trade payables	**1,530,283**	1,423,689
Accruals for crude oil and petroleum products	**635,730**	1,156,647
Sundry accruals	**105,641**	110,513
Accruals for consumables and services	**1,770**	4,193
Accruals for capital expenditure	**57,443**	25,530
	2,330,867	2,720,572

The Company's trade payables and accruals for crude oil and petroleum products are non-interest bearing, unsecured, except for a balance amounting to RM1,039,219,000 (2022: RM1,079,335,000) which is secured by a charge against the Company's hydrocarbon inventories and receivables as mentioned in Notes 16 and 17. The credit terms for trade payables range from 30 to 120 days (2022: 30 to 120 days).

25 AMOUNTS DUE TO PENULTIMATE HOLDING COMPANY, IMMEDIATE HOLDING COMPANY AND RELATED COMPANY

As at 31 December 2023, amounts due to penultimate holding company, immediate holding company and related company are unsecured. Included in the amounts due to penultimate holding company is accruals made for capital expenditure of RM2,052,000 (2022: RM2,052,000). Amounts due to penultimate holding company, immediate holding company and related company have credit terms of 30 days.

26 BORROWINGS

	2023 RM'000	2022 RM'000
Medium term notes, short-term loans and revolving credits	**1,720,881**	1,608,947
Less: Amount repayable within 12 months	**(1,216,366)**	(1,004,703)
Amount repayable after 12 months	**504,515**	604,244

The remaining maturities of the borrowings are as follows:

	2023 RM'000	2022 RM'000
Within 1 year	**1,216,366**	1,004,703
More than 1 year and less than 2 years	**137,116**	237,324
More than 2 years and less than 5 years	**367,399**	366,920
	1,720,881	1,608,947

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

26 BORROWINGS (continued)

	2023 RM'000	2022 RM'000
Detailed below are changes in liabilities arising from financing activities:		
At 1 January	**1,608,947**	798,297
Proceeds from borrowings	**1,562,225**	2,740,325
Repayment of borrowings (includes interest paid)	**(1,584,496)**	(1,884,752)
Non-cash changes:		
- Interest accrued	**91,110**	49,321
- Amortisation of upfront and commitment fees for borrowings	**3,387**	2,563
- Capitalisation of upfront and commitment fees for borrowings	**-**	(7,218)
- Effect of exchange rate changes	**39,708**	(89,589)
At 31 December	**1,720,881**	1,608,947

As at 31 December 2023 and 31 December 2022, the Company does not have any unsecured borrowings, except for short-term loans amounting to RM157,000,000 (2022: nil).

On 12 September 2022, the refinancing programme undertaken by the Company has been completed with the execution of its refinancing plan via the establishment of:

(a) 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, and

(b) A multi-currency revolving credit ("RC") facilities comprising of:

(i) USD RC facility of up to USD235,000,000, and

(ii) MYR RC facility of up to RM250,000,000.

The financing facilities will be utilised towards refinancing of the Company's existing borrowings, funding of the planned upgrade and maintenance projects and meeting working capital requirements.

Details of the facilities are set out below:

- First issuance of the MTN ("MTN Tranche 1") under the MTN Programme amounting to RM680,000,000 is repayable in instalments over a 5-year period.
- 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.
- MTN Tranche 1 is subject to interest at KLIBOR + 1.35% per annum, while RC facilities are subject to interest at USD Costs of Funds + 1.50% per annum for USD RC facility and KLIBOR + 1.35% per annum for MYR RC facility.
- The borrowings are secured against the Company's lands, oil refinery, plant and plant assets.

The effective interest rates of the Company's borrowings at the end of the reporting period ranged between 4.72% to 7.25% (2022: 4.02% to 6.55%) per annum.

The fair value of borrowings outstanding as at 31 December 2023 and 31 December 2022 approximated its carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

27 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

The movements in deferred tax during the financial year are as follows:

	2023 RM'000	2022 RM'000
At 1 January	**290,794**	(100,789)
Credited/(Charged) to profit or loss (Note 10):		
- property, plant and equipment	**(42,985)**	(90,848)
- derivative financial assets	**23,378**	(27,601)
- inventories	**(4,768)**	19,917
- receivables	**40**	(6,362)
- other payables and accruals	**(1,012)**	(646)
- derivative financial liabilities	**(9,480)**	14,469
- right-of-use assets	**1,535**	1,787
- lease liabilities	**(1,723)**	(1,919)
- unrealised foreign exchange	**25,388**	(14,688)
- unused tax losses	**23,053**	62,165
- unabsorbed capital allowances	**61,775**	110,403
- reinvestment allowances	**(63,824)**	170,065
	11,377	236,742
Credited/(Charged) to other comprehensive income (Note 23):		
- cash flow hedge reserve and cost of hedging reserve	**(163,370)**	154,841
At 31 December	**138,801**	290,794
Deferred tax liabilities (before offsetting):		
- property, plant and equipment	**(307,501)**	(264,516)
- unrealised foreign exchange	**-**	(13,827)
- derivative financial assets	**(4,224)**	(28,074)
- right-of-use assets	**(223)**	(1,758)
	(311,948)	(308,175)
Offsetting	**311,948**	308,175
At 31 December (after offsetting)	**-**	-
Deferred tax assets (before offsetting):		
- unused tax losses	**91,892**	68,839
- unabsorbed capital allowances	**172,178**	110,403
- unused reinvestment allowances	**106,241**	170,065
- unrealised foreign exchange	**11,561**	-
- receivables	**40**	-
- inventories	**25,724**	30,492
- other payables and accruals	**1,928**	2,940
- derivative financial liabilities	**40,963**	214,285
- lease liabilities	**222**	1,945
	450,749	598,969
Offsetting	**(311,948)**	(308,175)
At 31 December (after offsetting)	**138,801**	290,794

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

27 DEFERRED TAXATION (continued)

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2023 RM'000	2022 RM'000
Deferred tax liabilities:		
- to be settled after more than 12 months	**(276,053)**	(234,283)
- to be settled within 12 months	**(35,895)**	(73,892)
	(311,948)	(308,175)
Deferred tax assets:		
- to be recovered after more than 12 months	**282,703**	349,727
- to be recovered within 12 months	**168,046**	249,242
	450,749	598,969
Deferred tax assets, net	**138,801**	290,794

The Company did not recognise deferred tax assets arising from the following temporary differences as it is not probable that future taxable profit will be available against which the deferred tax assets can be utilised.

	2023 RM'000
Deductible temporary differences on:	
- unused tax losses	**347,952**
- unused reinvestment allowances	**200,706**
	548,658
Deferred tax assets not recognised	**131,678**

Under the Malaysia Finance Act 2021, the unused tax losses can be carried forward for ten consecutive years of assessment ("YA") effective from YA 2019 and unused reinvestment allowances claimed under paragraph 2B, Schedule 7A of the Income Tax Act 1967 can be carried forward for seven consecutive YAs after YA 2024. The benefits of unused tax losses and unused reinvestment allowances will be obtained when the Company derives future assessable income of a nature and of an amount sufficient for these carried forward tax losses and reinvestment allowances to be utilised.

	Expiring in	2023 RM'000	2022 RM'000
Unused tax losses			
- YA 2018	YA 2028	**31,838**	31,838
- YA 2022	YA 2032	**251,034**	251,034
- YA 2023	YA 2033	**447,964**	-
		730,836	282,872
Unused reinvestment allowances			
- YA 2022	YA 2031	**643,377**	643,377

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

28 CONTRACT LIABILITIES

Contract liabilities comprise of deposits made by customers for the purchases of refined oil product, which have yet to be delivered by the Company at the reporting date.

29 SIGNIFICANT RELATED PARTIES DISCLOSURES

For the purposes of these financial statements, parties are considered to be related to the Company if the party has the ability, directly or indirectly, to control the Company or exercise significant influence over the Company in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties of the Company comprise of Shandong Linyi County Petrochemical Factory and its related companies.

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions. The transactions described below were carried out on agreed terms.

	2023 RM'000	**2022 RM'000**
Transactions with immediate holding company:		
Expenses		
(i) Freight and freight brokerage services in relation to purchase of crude oil	**-**	(455)
(ii) Central management and administrative charges	**(504)**	(2,282)
Transactions with a fellow subsidiary of the immediate holding company:		
Expenses		
(i) Central management and administrative charges	**(10,553)**	(9,972)
(ii) Technical advisory charges	**(20,109)**	(19,801)
(iii) Rental of premises	**(457)**	(151)
Transactions with penultimate holding company:		
Expenses		
(i) Technical consultancy and project support services	**-**	(2,993)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

30 KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel are those persons who have authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. Key management personnel of the Company include the Board of Directors and senior management personnel of the Company.

	2023 RM'000	2022 RM'000
Compensation for key management personnel:		
- salaries, bonus and allowances	**5,184**	6,303
- fees	**1,900**	1,956
- defined contribution plan	**314**	271
- benefits in kind	**2**	5

31 COMMITMENTS TO OIL SPILL FUND

The Company is a member of the International Oil Pollution Compensation ("IOPC") 1992 Fund and Petroleum Industry of Malaysia Mutual Aid Group ("PIMMAG") (collectively as "Funds"). The purpose of the Funds is to help compensate parties that suffer financial loss as a result of oil spill from tankers. The Company makes contributions to the Funds depending on specific oil spill incidents, which give rise to payments of compensation by the Funds.

32 CAPITAL COMMITMENTS

Approved capital expenditure for property, plant and equipment not provided for in the financial statements are as follows:

	2023 RM'000	2022 RM'000
Approved and contracted for	**52,842**	44,414
Approved but not contracted for	**4,192**	18,763

33 SEGMENTAL INFORMATION

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 2023, one customer on an individual basis, contributed revenue exceeding 67% (2022: 60%) of total revenue for the financial year, amounting to RM10,371,940,000 (2022: RM12,779,943,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

34 FINANCIAL INSTRUMENTS BY CATEGORY

	2023 RM'000	2022 RM'000
Financial assets		
Financial assets designated as hedging instrument		
- Derivative financial assets	**-**	1,968
Financial assets measured at fair value through profit or loss		
- Derivative financial assets	**21,016**	114,562
Financial assets at amortised cost		
- Trade receivables	**765,330**	719,416
- Other receivables excluding prepayment and statutory assets	**64,789**	566,473
- Bank balances	**1,028,529**	1,334,832
	1,858,648	2,620,721
Total	**1,879,664**	2,737,251
Financial liabilities		
Financial liabilities designated as hedging instrument		
- Derivative financial liabilities	**149,887**	832,564
Financial liabilities measured at fair value through profit or loss		
- Derivative financial liabilities	**20,780**	60,054
Other financial liabilities at amortised cost		
- Trade and other payables excluding statutory liabilities and prepaid income	**2,324,379**	2,709,874
- Amounts due to penultimate holding company, immediate holding company and related company	**11,965**	16,419
- Borrowings	**1,720,881**	1,608,947
- Lease liabilities	**912**	8,105
	4,058,137	4,343,345
Total	**4,228,804**	5,235,963

35 DIVIDENDS

On 30 August 2022, the Directors declared a first interim single-tier dividend of RM0.10 per share, amounting to RM30,000,000 in respect of the financial year ended 31 December 2022. The dividend was paid on 25 October 2022 to shareholders registered on the Record of Depositors at the close of business on 3 October 2022.

The Company did not declare any dividend for the financial year ended 31 December 2023.

36 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 26 March 2024.

COMPANY PROPERTIES

AS AT 31 DECEMBER 2023

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	59 years	01.01.1991	984	-	871	1,854
2	Freehold	Lot 3 HS(D) 1310, Jln Pantai Port Dickson	6,284,186	Refinery	60 years	01.01.1991	20,091	535	26,468	47,095
3	Freehold	Lot 138 GRN 51925 Port Dickson	39,115	Oil Spill Response Centre	59 years	01.01.1991	239	-	186	426
4	Freehold	Lot 798 GM 3203 Kg Arab Port Dickson	49,955	Tank Farm	35 years	01.01.1991	128	-	-	128
5	Freehold	Lot 196 GM 3208 Kg Gelam Port Dickson	242,845	Reserved Land	36 years	01.01.1991	628	-	-	628
6	Freehold	Lot 195 GM 3207 Kg Gelam Port Dickson	249,389	Reserved Land	36 years	01.01.1991	634	-	-	634
7	Freehold	PT 1369 HSD 35655 Port Dickson	1,725,885	Reserved Land, Tank Farm	37 years	01.01.1991	5,212	-	-	5,212
8	Freehold	PT 1370 HSD 35656 Port Dickson	378,384	Reserved Land, TA Office	37 years	01.01.1991	1,107	-	167	1,275
9	Freehold	PT 1371 HSD 35657 Port Dickson	132,030	Reserved Land	37 years	01.01.1991	386	-	-	386
10	Freehold	PT 10747 HSD 35658 Port Dickson	205,558	Reserved Land	37 years	03.09.1991	543	-	-	543
11	Freehold	Lot 12284 & 12290 GM 1961, GM 3201 Port Dickson	112,052	Reserved Land, MPP Facilities	28 years	31.08.2000	438	-	-	438
12	Freehold	Lot 596 GRN 244911 Port Dickson	100,826	Tank Farm	28 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	26 years	31.08.2000	1,150	-	-	1,150
14	Freehold	Lot 950 GM 2721 Port Dickson	104,819	Reserved Land	27 years	31.08.2000	664	-	-	664

COMPANY PROPERTIES

AS AT 31 DECEMBER 2023

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	27 years	31.08.2000	1,111	-	-	1,111
16	Freehold	Lot 834 GRN 70791 Port Dickson	353,110	Reserved Land	28 years	31.08.2000	1,558	-	-	1,558
17	Freehold	Lot 6674 GM 2774 Port Dickson	97,726	For Pipeline to Jetty	34 years	01.01.1991	534	-	-	534
18	Freehold	Lot 1323 GM 3199 Port Dickson	178,595	For Pipeline to Jetty	34 years	01.01.1991	828	-	-	828
19	Freehold	Lot 6671 GM 2771 Port Dickson	84,249	For Pipeline to Jetty	34 years	01.01.1991	425	-	-	425
20	Freehold	Lot 6672 GM 3195 Kg Gelam Port Dickson	59,395	For Pipeline to Jetty	34 years	01.01.1991	328	-	-	328
21	Freehold	Lot 192 GM 3206 Kg Gelam Port Dickson	148,101	For Pipeline to Jetty	35 years	01.01.1991	405	-	-	405
22	Freehold	Lot 247 GM 3202 Port Dickson	120,330	For Pipeline to Jetty	35 years	01.01.1991	303	-	-	303
23	Freehold	Lot 191 GM 3205 Kg Gelam Port Dickson	134,495	For Pipeline to Jetty	36 years	01.01.1991	566	-	-	566
24	Freehold	Lot 190 GM 3204 Kg Gelam Port Dickson	131,770	For Pipeline to Jetty	36 years	01.01.1991	527	-	-	527
25	Freehold	Lot 909 GRN 69309 Port Dickson	86,768	For Pipeline to Jetty	32 years	01.01.1991	394	-	-	394
26	Freehold	Lots 178 - 180 GM 3196 - 3198 Port Dickson	448,673	For Pipeline to Jetty	32 years	01.01.1991	1,984	-	-	1,984
27	Freehold	Lot 1300 GM 3194 Kg Gelam Port Dickson	58,200	For Pipeline to Jetty	33 years	01.01.1991	368	-	-	368
28	Freehold	Lot 3948 - 3951 GM 2619 - 2622 Port Dickson	5,042	Refinery Buffer Zone	27 years	30.04.2001	315	-	-	315

COMPANY PROPERTIES

AS AT 31 DECEMBER 2023

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	27 years	30.04.2001	315	-	-	315
30	Freehold	Lot 4961- 4968 GM 475 - 482 Port Dickson	34,789	Refinery Buffer Zone	27 years	30.04.2001	1,158	-	-	1,158
31	Freehold	Lot 5402 - 5407 GM 345 - 350 Port Dickson	21,883	Refinery Buffer Zone	27 years	30.04.2001	821	-	-	821
32	Freehold	Lot 10533 GM 1653 Kg Gelam Port Dickson	2,002	Refinery Buffer Zone	30 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	30 years	31.08.2000	363	-	-	363
34	Freehold	Lot 12104 GM 2859 Kg Gelam Port Dickson	570	Refinery Buffer Zone	30 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	59 years	01.01.1991	307	-	-	307
36	Freehold	Lot 764 GRN 65945 Port Dickson	9,009	Reserved Land	60 years	01.01.1991	56	-	-	56
37	Freehold	Lot 12086 GM 3200 Port Dickson	62,614	Reserved Land	16 years	28.03.2008	548	-	-	548
38	Freehold	Lot 9060 GM 2720 Port Dickson	9,149	Reserved Land	60 years	01.01.1991	183	-	-	183
39	Leasehold	PT 9451 HSD 29075 Mukim Port Dickson	2,822,620	Jetty Land	31 years	10.04.2004	1,532	-	201	1,733
			15,067,542				**48,067**	**535**	**27,893**	**76,496**

Note:
The above values reflect the original transacted amount of each property denominated in RM. These amounts have been revised to account for the change to USD functional currency effective 1 January 2017

ANALYSIS OF HOLDINGS

AS AT 29 MARCH 2024

Issued and Paid-up Capital : RM300,000,000 comprising 300,000,000 ordinary shares

Class of Shares : Ordinary shares

Voting Rights : One vote per ordinary share held

ANALYSIS BY SIZE OF HOLDINGS

Size of Holdings	No of Holders	%	No of Shares	%
1 – 99	1,043	6.132	6,035	0.002
100 – 1,000	5,481	32.227	4,053,466	1.351
1,001 – 10,000	8,575	50.420	34,794,185	11.598
10,001 – 100,000	1,767	10.389	47,002,018	15.667
100,001 – 14,999,999 (*)	139	0.817	61,075,294	20.358
15,000,000 and above (**)	2	0.011	153,069,002	51.023
Total	**17,007**	**100.000**	**300,000,000**	**100.000**

*Remark: * Less Than 5% of Issued Shares*
*** 5% and Above of Issued Shares*

LIST OF TOP 30 SHAREHOLDERS

(Without aggregating securities from different securities accounts belonging to the same registered holders)

No	Name	Shareholdings	%
1	RHB Nominees (Tempatan) Sdn Bhd Malaysia Hengyuan International Limited	113,701,002	37.900
2	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account - Ambank (M) Berhad for Malaysia Hengyuan International Limited	39,368,000	13.122
3	Foo Khen Ling	8,111,000	2.703
4	AmanahRaya Trustees Berhad Amanah Saham Bumiputera	7,799,400	2.599
5	Kam Loong Mining Sdn Bhd	5,648,000	1.882
6	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Ching Mun	2,740,000	0.913
7	Yap Ah Fatt	2,000,000	0.666
8	Tan Kah Hock	1,880,000	0.626
9	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Bank Berhad (EDP 2)	1,246,700	0.415
10	UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt an for UOB Kay Hian Pte Ltd (A/C Clients)	1,205,950	0.401

ANALYSIS OF HOLDINGS

AS AT 29 MARCH 2024

LIST OF TOP 30 SHAREHOLDERS (continued)

(Without aggregating securities from different securities accounts belonging to the same registered holders)

No	Name	Shareholdings	%
11	Wong Siew Fah	910,000	0.303
12	Maybank Nominees (Tempatan) Sdn Bhd Wong Choy Fong	834,600	0.278
13	Eletechnics Sdn Bhd	800,000	0.266
14	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ye Yu @ Ye Kim Onn	797,900	0.265
15	Malaysia Nominees (Tempatan) Sendirian Berhad Lee Foundation, States of Malaya (00-00197-000)	790,000	0.263
16	Reuben Tan Cherh Chung	730,000	0.243
17	Tan Ah Heng	640,000	0.213
18	Tan Ewe Seong	603,000	0.201
19	Gan Yen Cheng	600,000	0.200
20	Maybank Investment Bank Berhad IVT (9) ECD SW-H	579,600	0.193
21	Citigroup Nominees (Asing) Sdn Bhd CBNY for Dimensional Emerging Markets Value Fund	574,301	0.191
22	Khoo Hup	460,000	0.153
23	Citigroup Nominees (Tempatan) Sdn Bhd Exempt an for Bank of Singapore Limited (Local)	410,000	0.136
24	Kong Weng Tuck	409,300	0.136
25	Affin Hwang Nominees (Tempatan) Sdn Bhd Sekarajasekaran A/L Arasaratnam (SL)	400,000	0.133
26	Lim Ah Cheng @ Lim Koh Den	400,000	0.133
27	Citigroup Nominees (Asing) Sdn Bhd Exempt an for OCBC Securities Private Limited (Client A/C-NR)	388,818	0.129
28	Khoo Teng Thong	388,000	0.129
29	Lim Soo Hian	380,000	0.126
30	Associated M & E Engineering Sdn Bhd	370,000	0.123
	Total	**195,165,571**	**65.055**

ANALYSIS OF HOLDINGS

AS AT 29 MARCH 2024

Information on Substantial Shareholders' Holdings

No	Name	Investor ID	Holdings	%
1	RHB Nominees (Tempatan) Sdn Bhd Malaysia Hengyuan International Limited	199301004327 (259064-V)	113,701,002	37.900
2	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account - Ambank (M) Berhad for Malaysia Hengyuan International Limited	198301007693 (102918-T)	39,368,000	13.122
	Total		**153,069,002**	**51.023**

Information on Directors' and Chief Executive's Holdings

No	Name	Holdings	%
1	Alan Hamzah Sendut	0	0.00
2	Li, XiaoXia	0	0.00
3	Surinderdeep Singh Mohindar Singh	0	0.00
4	Tai Sook Yee	0	0.00
5	Wang, YouDe	0	0.00
6	Wang, ZongQuan	0	0.00
7	Yin, LuJiang	0	0.00
	Total	**0**	**0.00**

ADDITIONAL CORPORATE GOVERNANCE DISCLOSURES

Directors' Meeting Attendance for the Financial Year Ended 2023

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 2023.

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%
Fauziah Hisham [a]	4/5	80%	1/1	100%
Surinderdeep Singh Mohindar Singh	5/5	100%	1/1	100%
Tai Sook Yee	5/5	100%	1/1	100%
Li, XiaoXia [b]	N/A	N/A	N/A	N/A

Note:
Total number of Board meetings in 2023: 5

Total number of General Meeting: 1

(a) Fauziah Hisham resigned from the Board with effect from 8 December 2023.
(b) Li, XiaoXia was appointed as an Independent Non-Executive Director of HRC with effect from 8 December 2023.

Board Audit Committee Meeting

Name of Members	Attendance during the Director's term in office	
Alan Hamzah Sendut (Chair)	5/5	100%
Fauziah Hisham [a]	5/5	100%
Surinderdeep Singh Mohindar Singh	5/5	100%
Tai Sook Yee	5/5	100%

Note:
Total number of Board Audit Committee meetings in 2023: 5

(a) Fauziah Hisham resigned from the Board Audit Committee with effect from 8 December 2023.

ADDITIONAL CORPORATE GOVERNANCE DISCLOSURES

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%
Fauziah Hisham [(a)]	4/4	100%
Li, XiaoXia [(b)]	N/A	N/A

Note:
Total number of Board Nominating and Remuneration Committee meetings in 2023: 4

(a) Fauziah Hisham resigned from the Board Nominating and Remuneration Committee with effect from 8 December 2023.
(b) Li, XiaoXia was appointed as member of the Board Nominating and Remuneration Committee with effect from 8 December 2023.

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	N/A	N/A

Note:
Total number of Board Risk Management Committee meetings in 2023: 4

Board Projects Review Committee Meeting

Name of Members	Attendance during the Director's term in office	
Wang, ZongQuan (Chair)	4/4	100%
Wang, YouDe	4/4	100%
Surinderdeep Singh Mohindar Singh	4/4	100%

Note:
Total number of Board Projects Review Committee meetings in 2023: 4

Board Tender Committee Meeting

Name of Members	Attendance during the Director's term in office	
Wang, YouDe (Chair)	1/1	100%
Wang, ZongQuan	1/1	100%
Alan Hamzah Sendut	1/1	100%

Note:
Total number of Board Tender Committee meetings in 2023: 1

ADDITIONAL CORPORATE GOVERNANCE DISCLOSURES

DIRECTORS' TRAINING

A summary of the in-house continuing education programmes and external trainings attended by the Directors of HRC for the financial year ended 2023 are set out below:

1 January 2023 to 31 March 2023	• SID-Diligent Webinar Series | Part 1: The elements of ESG Metrics. Measuring what matters, organised by Diligent Asia-Pacific • Getting the Board on Board with Security Governance, organised by Diligent Asia-Pacific • SID-Diligent Webinar Series | Part 2: Modern Governance and ESG: Connecting Board Effectiveness and ESG, organised by Diligent Asia-Pacific • TCFD 101 - Getting started with climate-related financial reporting, organised by Sustainable Stock Exchanges Initiative Academy (SSE), Carbon Disclosure Project (CDP) and International Finance Corporation (IFC) • TCFD 102 - Building experience in climate-related financial reporting, organised by SSE, CDP and IFC • SID-Diligent Webinar Series | Part 3: Sustainability in the Spotlight: Board ESG Oversight and Strategy, organised by Diligent Asia-Pacific • SID-Diligent Webinar Series | Part 4: How Boards Can Implement an integrated approach to Climate Risk and Strategy, organised by Diligent Asia-Pacific • ICDM PowerTalk - Navigating ESG Data into Decisions, organised by Institute of Corporate Directors Malaysia (ICDM) • Environmental, Social and Governance Briefing, organised Hong Leong Bank (HLB) • Can America Stop China's Rise? Will ASEAN Be Damaged? organised by Financial Institution Director's Education programme (FIDE) Forum • Seminar on Forensic Audit and Fraud Examination, organised by Malaysian Institute of Corporate Governance (MICG) • Briefing on Environmental, Social and Governance, organised by PricewaterhouseCoopers (PwC) PLT
1 April 2023 to 30 June 2023	• 2023 Institute of Internal Auditors Malaysia (IIAM) Membership Physical Networking Session: Cyber Threats & Best Practices, organised by IIAM • FIDE Elective Program: Understanding the Cybersecurity Landscape, organised by The Iclif Leadership and Governance Centre (ICLIF)
1 July 2023 to 30 September 2023	• Stepping up to the role: Objective Assurance & Advisory on ESG, organised by MICG & Sime Darby Plantation Berhad • Advocacy Session for Directors and CEOs of Main Market Listed Issuers, organised by Bursa Malaysia Securities Berhad • ICDM PowerTalk Series: Generative AI - An Opportunity or Risk? organised by ICDM • "Sustainability in The Digital Age" by Georg Kell, Chairman of the Board of Arabesque and Carolina Minio Paluello, CEO of Arabesque AI, organised by ICLIF
1 October 2023 to 31 December 2023	• Board Oversight of Climate Risks and Opportunities, organised by Iclif Executive Education Center at Asia School of Business • Bursa Mandatory Accreditation Programme Part II: Leading for Impact (LIP), ICDM Virtual Classroom, organised by ICDM

MATERIAL CONTRACTS

There were no material contracts entered into by HRC involving the interests of Directors, the CEO and the major shareholders either still subsisting at the end of the financial year ended 31 December 2023 or entered into since the end of the previous financial year.

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 25 May 2022 and 24 May 2023 (RRPT Mandate).

Details of the recurrent related party transactions entered into pursuant to the RRPT Mandate in the financial year ended 31 December 2023 are set out below.

Related Party	Type of Transaction	Value from 1 January 2023 to 24 May 2023 (RM)	Value from 25 May 2023 to 31 December 2023 (RM)	Total of actual transactions for Financial Year Ended 2023 (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	3,362,331	7,049,788	10,412,119
	Provision of technical advisory and consultancy services and research and development advisory services to HRC	6,779,191	13,329,864	20,109,055
	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 as accommodation for Company employees, personnel and/or visiting consultants	33,600	35,007	68,607
	Rental of premises as corporate office	-	229,914	229,914
	Total	**10,175,122**	**20,644,573**	**30,819,695**

ACRONYMS & ABBREVIATION

AGM	Annual General Meeting
BCP	Business Continuity Plan
bbl	Barrel
BIP	Business Improvement Plan
BNRC	Board Nomination and Remuneration Committee
BPRC	Board Projects Review Committee
BRMC	Board Risk Management Committee
BTC	Board Tender Committee
BWC	Board Whistleblowing Committee
CGMA	Chartered Global Management Accountant
CSR	Corporate Social Responsibility
CMRP	Certified Maintenance and Reliability Practitioner
DOE	Department of Environment
DOSH	Department of Occupational Health and Safety
EII	Energy Intensity Index
ETP	Effluent Treatment Plant
FAC	First Aid Case
Forex	Foreign Exchange
FY	Financial Year
HRC	Hengyuan Refining Company Berhad
IFRS	International Financial Reporting Standards
KPIs	Key Performance Indicators
LFI	Learnings From Incident
LPG	Liquefied Petroleum Gas
LRCCU	Long Residue Catalytic Cracker Unit
LT	Leadership Team
LTI	Lost-Time Injury
MFRSs	Malaysian Financial Reporting Standards
MMLR	Main Market Listing Requirements
NMPI	Near Miss Potential Incidents
OPEC	Organisation of the Petroleum Exporting Countries
PPM	Parts per million
PSE	Process Safety Event
PSM	Process Safety Management
PwC	PricewaterhouseCoopers
QHSSE	Quality, Health, Safety, Security and Environment
RAM	Risk Assessment Matrix
RM	Ringgit Malaysia
SHPC	Shandong Hengyuan Petrochemical Company Limited
SIA	Site Internal Assurance
TOR	Terms of Reference
UPDT	Unplanned Downtime
USD	United States Dollar

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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-Fifth Annual General Meeting ("65th AGM") of Hengyuan Refining Company Berhad ("the Company") to be conducted entirely through live streaming from the broadcast venue at **Zenith Junior Ballroom, Level M1, Connexion Conference & Event Centre, Nexus Bangsar South City, No 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia ("Broadcast Venue")** on **Tuesday, 28 May 2024** at **10.00 a.m.** and at any adjournment thereof.

Resolutions	Descriptions	For	Against
Ordinary Resolution 1	To re-elect Mr Wang, YouDe as Director of the Company.		
Ordinary Resolution 2	To re-elect Mr Surinderdeep Singh a/l Mohindar Singh as Director of the Company.		
Ordinary Resolution 3	To re-elect Ms Li, XiaoXia as Director of the Company.		
Ordinary Resolution 4	To appoint KPMG PLT as auditors of the Company for the financial year ending 31 December 2024 in place of the outgoing auditors, PricewaterhouseCoopers PLT and to hold office until conclusion of the next annual general meeting at a remuneration to be determined by the directors.		
Ordinary Resolution 5	To approve payment of Non-Executive Directors' fees and benefits of up to RM2,400,000.00 for the period from 1 June 2024 until 31 May 2025.		
Ordinary Resolution 6	Proposed Renewal of Authority to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act 2016.		
Ordinary Resolution 7	Proposed Renewal of Authority for Share Buy-Back.		
Ordinary Resolution 8	Proposed Renewal of existing Shareholders' Mandate and Proposed New 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 ______________ 2024.

____
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. The 65th AGM will be conducted virtually through live streaming and online remote voting via Remote Participation and Voting ("RPV") facilities which are available on Tricor Investor & Issuing House Services Sdn Bhd's ("Tricor") TIIH Online website at *https://tiih.online*.
2. The Broadcast Venue of the AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairperson of the meeting to be present at the main venue of the meeting. ***NO SHAREHOLDERS/PROXY(IES) WILL BE ALLOWED TO BE PHYSICALLY PRESENT AT THE BROADCAST VENUE***.
3. Shareholders may exercise their right to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at the 65th AGM via the RPV provided by Tricor via its TIIH Online website at *https://tiih.online*.

   Please refer to the "Procedures for RPV" in the Administrative Guide for the Company's 65th AGM and take note of Notes (4) to (16) below in order to register, participate and vote remotely via the RPV facilities.
4. For the purpose of determining a member who shall be entitled to attend, vote and speak at the AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company a **Record of Depositors** as at **17 May 2024** 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.
5. A member who is entitled to participate in this AGM via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his/her place. A proxy may but need not be a member of the Company.
6. A member of the Company who is entitled to attend and vote at a general meeting of the Company may appoint not more than two (2) proxies to participate instead of the member at the AGM via RPV. A member may appoint more than one proxy in relation to a meeting, provided that the member specifies the proportion of the member's shareholdings to be represented by each proxy.
7. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (Omnibus Account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.
8. Where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
9. A proxy need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.
10. The instrument appointing a proxy shall be in writing and signed by the appointor or by his attorney who is authorised in writing. In the case of a corporation, the instrument appointing a proxy or proxies must be made under seal or signed by an officer or an attorney duly authorised.
11. The signature to the instrument appointing a proxy or proxies executed outside Malaysia must be attested by a solicitor, notary public, consul or magistrate.
12. A member who wishes to participate and vote at this AGM via RPV or a member who has appointed a proxy or attorney or authorised representative to participate and vote at this AGM via RPV **must sign up or request that his/her proxy sign up as a RPV user at the TIIH Online website at *https://tiih.online***.

    Members or proxies who have registered as a RPV user **must register to attend and participate at the AGM via RPV ("AGM Registration")**. **AGM Registration is open from Monday, 29 April 2024 up to Tuesday, 28 May 2024**. Please follow the steps contained in the "Procedures for RPV" section of the Administrative Guide for the Company's 65th AGM.
13. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time set for holding the AGM at which the person named in the appointment proposes to vote:

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

    (ii) <u>By Electronic Form</u>
    The proxy form can be electronically lodged via Tricor's TIIH Online website at *https://tiih.online*. Kindly refer to the Administrative Guide on the procedure for electronic lodgement of proxy form via TIIH Online.

    The last date and time for lodging the proxy form is **Sunday, 26 May 2024 at 10.00 a.m**. We recommend that the appointment of proxy be done as early as possible so that the appointed proxy has sufficient time to complete the AGM Registration.
14. Original copies of the appointments of corporate representative or power of attorney can be submitted either by hard copy or electronically in accordance with the instructions for lodgment in Note 13 above.
15. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
16. The certificate of appointment should be executed in the following manner:

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

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

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

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

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