EXECUTION OF A SHAREHOLDERS AGREEMENT BETWEEN PETRONAS GAS BERHAD (“PGB”) AND LINDE (MALAYSIA) SDN BHD (“LINDE”) FOR THE ESTABLISHMENT OF A JOINT VENTURE COMPANY FOR THE DEVELOPMENT OF AN AIR SEPARATION UNIT PLANT (“ASU”) IN PENGARANG INTEGRATED COMPLEX (“PIC”), PENGARANG, JOHOR

1. INTRODUCTION


Pursuant to Paragraph 9.03 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors of PGB wishes to announce that PGB has on 12th August 2016, executed a Shareholders Agreement (“SHA”) with Linde for the formation of a joint venture company (“JV Co.”) to undertake the development of an ASU to be located in Pengerang, Johor (“Project”).

PGB will be holding 51% of the shares in the joint venture company while Linde will hold the other 49%.

2. BACKGROUND OF THE PROJECT

PETRONAS is developing an integrated Refinery and Petrochemical Complex (“RAPID”) located within the PIC in Pengerang, Johor. The Project involves the setting up of an ASU plant and associated facilities within the PIC to meet its demand requirement for gaseous oxygen and gaseous nitrogen.

The revenue stream is expected to cover capital and operational expenditure for the construction and operations of the facilities.

3. DETAILS OF THE SHA

3.1 Joint Venture Company
The SHA is made in the ordinary course of business of PGB and serves to set out the respective shareholders’ rights and obligations under the joint venture for the formation of a joint venture company to be set up for the purpose of the construction, ownership and operations of the ASU plant. The Final Investment Decision has been obtained from the respective board of directors of both PGB and Linde.

The total project cost is estimated at USD172 million with PGB’s portion of the cost amounting to an estimated USD88 million. The source of funding for the Project is expected to be via a combination of equity and debt from the respective parties.

The project is expected to commence construction activities by Quarter Three of 2016 and to achieve commercial operation by Quarter Four of 2018.
EXECUTION OF A SHAREHOLDERS AGREEMENT BETWEEN PETRONAS GAS BERHAD ("PGB") AND LINDE (MALAYSIA) SDN BHD ("LINDE") FOR THE ESTABLISHMENT OF A JOINT VENTURE COMPANY FOR THE DEVELOPMENT OF AN AIR SEPARATION UNIT PLANT ("ASU") IN PENGERANG INTEGRATED COMPLEX ("PIC"), PENGERANG, JOHOR – cont’d

3.2 SALIENT TERMS OF THE SHA

The agreed authorised capital of the joint venture company will be RM35.0 million and will be held between the parties in the following proportion:

PETRONAS Gas Berhad (51%)
Linde Malaysia Sdn Bhd (49%)

4.0 INFORMATION ON LINDE

Linde is a company incorporated under the Companies Act, 1965 on 30 April 1983 with an authorised share capital of RM50 million comprising 50,000,000 ordinary shares of RM1.00 each, of which 42,008,003 ordinary shares of RM1.00 each have been issued and fully paid-up.

The principle activities of Linde is

(a) Manufacturing and distribution of industrial gases, special gases, medical gases, welding equipment and consumables and related products and services; and
(b) Installation of gas equipment and pipeline system to the industrial, high tech and medical sectors.

5. RATIONALE AND PROSPECTS

PGB’s involvement in the ASU project is an expansion to the existing PGB business of providing industrial gases from the centralised utilities facilities in Kerteh, Terengganu and Gebeng, Pahang and which will eventually contribute to the growth of PGB’s bottomline.

The strategic partnership with Linde will provide PGB with the opportunity to leverage on the technical capabilities of a world renowned industrial gases producer in the development of an industrial gases facility at a strategic location.

6. EFFECTS OF THE SHA

The execution of the SHA does not have any effect on the earnings per share, net assets per share, gearing, share capital and substantial shareholding of PGB for the financial year ending 31 December 2016. It is expected that the project once operationalised, will accordingly contribute to PGB’s future earnings.

7. APPROVALS REQUIRED

The SHA does not require the approval of PGB’s shareholders and regulatory authority.
EXECUTION OF A SHAREHOLDERS AGREEMENT BETWEEN PETRONAS GAS BERHAD ("PGB") AND LINDE (MALAYSIA) SDN BHD ("LINDE") FOR THE ESTABLISHMENT OF A JOINT VENTURE COMPANY FOR THE DEVELOPMENT OF AN AIR SEPARATION UNIT PLANT ("ASU") IN PENDERANG INTEGRATED COMPLEX ("PIC"), PENDERANG, JOHOR – cont’d

8. DIRECTORS AND MAJOR SHAREHOLDERS’ INTEREST

None of the Directors and Major Shareholders of PGB, its subsidiaries and/or persons connected to them, have any interest, direct or indirect in the SHA.

9. STATEMENT BY THE BOARD OF DIRECTORS

The Board of Directors of PGB, after having taken into consideration the SHA, is of the opinion that this SHA is undertaken in the best interest of PGB.