

**PETRONAS CHEMICALS GROUP BERHAD (“PCG” OR “THE COMPANY”)****DIVESTMENT OF 50% EQUITY INTEREST IN PRPC POLYMERS SDN. BHD. (COMPANY NO. 1128864-H) (“PRPC POLYMERS”), A WHOLLY-OWNED SUBSIDIARY OF PCG (“THE DIVESTMENT”)**

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Unless otherwise stated, the exchange rate of United States Dollar (“USD”) 1:RM4.2695 as set out in the Bank Negara Malaysia website on 30 August 2017, being the latest practicable date prior to the execution of the relevant SPA (as defined below), has been used throughout this Announcement.

**1. INTRODUCTION**

Pursuant to Paragraph 10.08(1) of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Berhad (“Bursa Malaysia”), the Board of Directors (“Board”) of PCG wishes to announce that PCG has on 29 September 2017, entered into a Share Purchase Agreement (“SPA”) with Aramco Overseas Holdings Coöperatief U.A. (“AOHC” or “Purchaser”), a wholly owned subsidiary of Saudi Arabian Oil Company (“Saudi Aramco”), in relation to the divestment of 50% of the equity interest and 50% of any shareholder loans held by PCG in PRPC Polymers to AOHC for a total consideration of approximately USD0.9 billion (equivalent to RM3.8 billion), subject to certain post-closing adjustments set out in the SPA. The pre-adjustment consideration will be paid on 15 March 2018, being the ‘Closing Date’ stipulated in the SPA entered into between PCG and AOHC.

The Divestment is a Related Party Transaction<sup>1</sup> in view of the inter-conditional arrangement between (i) the SPA entered into between PETRONAS Refinery and Petrochemical Corporation Sdn. Bhd. (“PRPC”), a wholly owned subsidiary of Petroliaam Nasional Berhad (“PETRONAS”), which is the major shareholder of PCG, with AOHC on 28 February 2017, as supplemented by a letter dated 27 August 2017 and amended and restated on 29 September 2017, for the divestment of PRPC’s 50% equity interest and 50% of any shareholder loans PRPC holds in PRPC Refinery and Cracker Sdn. Bhd. (Company No. 1058557-T) (“PRPC RC”) and (ii) the SPA entered into between PCG and AOHC, whereby the closing and termination of one SPA is dependent on the other.

Upon completion of the Divestment, PRPC Polymers will cease to be a subsidiary of PCG.

**2. TRANSACTION****2.1 Divestment**

PCG has agreed to divest 50% of its equity interest and 50% of any shareholder loans it holds in PRPC Polymers to AOHC.

**2.2 Information on PRPC Polymers**

PRPC Polymers is a private limited company incorporated on 26 January 2015. As at the date of this Announcement, PRPC Polymers is a wholly owned subsidiary of PCG.

PRPC Polymers’ principal activities are to develop, construct, commission and operate polymers and glycol plants for the production and sale of products. PRPC Polymers has not commenced operations since the date of incorporation.

As at the date of this Announcement, PRPC Polymers does not have any subsidiary or associated company.

PCG is the sole shareholder of PRPC Polymers with a total shareholding of RM24,156,000 comprising 8 Ordinary Shares and 24,148 Redeemable Preference Shares, as at 30 August 2017.

Based on the latest audited financial statements of PRPC Polymers for the financial year ended ("FYE") 31 December 2016, PRPC Polymers has not generated any operating income, and recorded net loss of RM57 million. The Net Assets of PRPC Polymers stands at RM1.3 billion.

Upon completion of the Divestment, the shareholding of PRPC Polymers shall be as follows:

Name	Class of shares		% of ownership
	No. of ordinary shares	No. of Redeemable Preference Shares	
PCG	4	12,074	50
AOHC	4	12,074	50
Total	8	24,148	100

The operations of PRPC Polymers would be funded by the shareholders and/or external borrowings.

### 2.3 Information on the Purchaser

AOHC was incorporated on 15 January 2016 in the Netherlands as a cooperative under Dutch law (coöperatie) and is registered with The Netherlands Chamber of Commerce as part of its Business Registry. AOHC is a wholly owned subsidiary of Saudi Aramco, a company with limited liability created by Royal Decree under the laws of The Kingdom of Saudi Arabia.

As a cooperative under Dutch law, AOHC does not have capital divided into shares. Instead, the participants in a cooperative are members with membership rights and the assets of a cooperative are formed through capital contributions of its members.

Saudi Aramco is the sole member of AOHC and, as of 17 January 2016, has contributed EUR 100,000 of capital to AOHC.

AOHC's official activity (as recorded at the Netherlands Chamber of Commerce Business Register) is financial holdings.

The managing directors of AOHC, together with their respective capital contributions and direct and indirect membership interests as at 30 August 2017, are as follows:

Name	Nationality	Designation	Capital contribution (EUR)	Direct	Indirect
				Membership interest(%)	Membership interest(%)
Al Sharef, Fayez Mohammed F.	Saudi Arabian	Managing Director	0	0	0
Alhadrami, Said Abdullatif A	Saudi Arabian	Managing Director	0	0	0
Alabdulkareem, Fahad Mohammed A	Saudi Arabian	Managing Director	0	0	0

**2.4 Salient terms of the SPA**

Please refer to **Appendix I** of this Announcement for the key terms of the SPA entered into between PCG and AOHC.

**2.5 Basis and justification of arriving at the Divestment consideration to the Purchaser**

The rationale for the Divestment at cost is mainly due to sharing of project risk with Saudi Aramco as an equal joint venture partner in a mega integrated project. The project is still at construction phase and the risk will remain high until project completion in 2019.

The Divestment consideration to Saudi Aramco is 50% of the total project costs incurred up to Closing Date.

**2.6 Mode of settlement**

The Divestment consideration will be satisfied by cash on the Closing Date.

**2.7 Liabilities to be assumed by the Purchaser**

Save for the obligations and the liabilities in and arising from the SPA entered into between PCG and AOHC, there are no other liabilities to be assumed by AOHC arising from the Divestment.

**2.8 Original cost of investment**

PCG acquired PRPC Polymers on 3 November 2015. The original cost of investment of PCG in PRPC Polymers is RM8,000 based on a willing buyer and willing seller basis, being the paid up share capital of PRPC Polymers, where PCG also assumed the assets and the liabilities of PRPC Polymers amounting to approximately USD65 million.

**2.9 Expected gains from the Divestment**

As per item 2.5 above, financially there is no material gain or loss expected from the Divestment.

**3. RATIONALE AND BENEFIT OF THE DIVESTMENT**

The Divestment will provide the following benefits to PCG.

- i. PCG will share the project and operation risk with Saudi Aramco upon divesting 50% of the equity interest and 50% of the shareholder loans in PRPC Polymers to AOHC.
- ii. Saudi Aramco will supply up to 70% of crude supply to PRPC RC, which eventually will lead to the sustainability of feedstock supply from PRPC RC to PRPC Polymers.
- iii. PCG will have a positive cash flow impact by decreasing its CAPEX commitment as a result of Saudi Aramco's 50% participation in PRPC Polymers. Subsequently, it will provide PCG with the financial flexibility to pursue other strategic growth projects.
- iv. PCG will be able to leverage on Saudi Aramco's experiences in execution, implementation and operation of similar large scale and integrated petrochemical projects, e.g., Sadara Chemical Company.
- v. The Divestment will also provide PCG with the potential opportunity to pursue future strategic collaborations with Saudi Aramco.

#### 4. UTILISATION OF PROCEEDS

The proceeds to be received from the Divestment shall be applied towards capital and operational expenditures as well as strategic growth projects in accordance with PCG's business plans.

As at the date of this Announcement, the breakdown of the utilisation of proceeds from the Divestment has not been finalised.

#### 5. EFFECT OF THE DIVESTMENT

##### 5.1 Share capital and substantial shareholders' shareholdings

The Divestment does not involve any issuance of new PCG shares. Hence, the Divestment will not have any effect on the issued share capital of PCG and substantial shareholders' shareholdings in PCG.

##### 5.2 Net Assets ("NA") per share and gearing

For illustrative purposes only, based on the latest audited consolidated statement of financial position of PCG as at 31 December 2016 and on the assumption that the Divestment has been effected on that date, the proforma effects of the Divestment on the consolidated NA and gearing of PCG are as follows:

	<b>Audited as at 31 December 2016<sup>(a)</sup></b>	<b>After the Divestment<sup>(a)</sup></b>
	<b>RM million</b>	<b>RM million</b>
Share capital	800	800
Reserves	26,242	26,270
<b>NA attributable to shareholders of PCG</b>	<b>27,042</b>	<b>27,070</b>
Non-controlling interests	1,271	1,271
<b>Total equity</b>	<b>28,313</b>	<b>28,341</b>
No. of shares in issue (million)	8,000	8,000
NA per share (RM)	3.38	3.38
Borrowings (RM million)	23	1,147 <sup>(b)</sup>
Gearing (times)	0.00	0.04

Notes :

- a. Based on the exchange rate of USD1:RM4.4845 on 31 December 2016.
- b. Arising from external borrowing via bridge financing undertaken by PRPC Polymers.

##### 5.3 Earnings per share

The Divestment is not expected to have any other material effect on the earnings of PCG for the FYE 31 December 2017.

Upon completion of the Divestment, PRPC Polymers will be consolidated with PCG accounts as it will be classified as a 'Joint Operation Company' pursuant to the Malaysian Financial Reporting Standards.

## 6. APPROVALS REQUIRED

The Divestment does not require approval from the shareholders of PCG as Bursa Malaysia has waived the said requirement.

The Divestment is subject to clearance from the authorities responsible for applying merger control rules in each of certain relevant jurisdictions having been obtained and certain other governmental approvals having been obtained.

## 7. PERCENTAGE RATIO

The percentage ratio for the Divestment pursuant to Paragraph 10.02(g) of the MMLR of PCG on consolidation basis as at 31 December 2016 is 12.7%.

## 8. INTERESTS OF THE DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

No	Interested Directors / Major Shareholder	Relationship
1	Md Arif Mahmood	He is the Non-Executive Chairman of PCG and an appointee of PETRONAS. He is a member of various Boards within PETRONAS Group of Companies. He is also the Executive Vice President / Chief Executive Officer of PETRONAS Downstream.
2	Datuk Sazali Hamzah	He is the Managing Director / Chief Executive Officer of PCG and an appointee of PETRONAS. He is a member of several Boards within PETRONAS Group of Companies.
3	Zakaria Kasah	He is an appointee of PETRONAS and sits as a member of several Boards within PETRONAS Group of Companies.
4	Freida Amat	She is an appointee of PETRONAS and sits as a member of several Boards within PETRONAS Group of Companies.
5	PETRONAS	PETRONAS is the major shareholder of PCG with equity interest of 64.35%.

Directors representing PETRONAS on the Board of PCG ("Interested Directors") abstained from voting on the Divestment.

Save as disclosed above, no other directors and/or major shareholders of PCG or persons connected to them have any interest directly or indirectly in the Divestment.

## 9. DIRECTORS' STATEMENT

The Board of PCG (save for the Interested Directors), having considered all aspects of the Divestment including but not limited to (i) the terms of the SPA entered into between PCG and AOHC, (ii) the basis and justification for the Divestment to Saudi Aramco, and (iii) the rationale, benefits and effects of the Divestment, is of the opinion that the Divestment is to the best of interest of PCG, fair, reasonable and on normal commercial terms and not detrimental to the interest of PCG's minority shareholders.

**10. BOARD AUDIT COMMITTEE STATEMENT**

PCG's Board Audit Committee has reviewed the terms and conditions of the Divestment and is satisfied that the transaction is to the best interest of PCG, fair, reasonable and on normal commercial terms and not detrimental to the interest of PCG's minority shareholders. The basis of its views are as stated in paragraphs 2.5 and 3 above.

**11. ESTIMATED TIMEFRAME FOR SUBMISSION TO THE AUTHORITIES AND COMPLETION**

Barring any unforeseen circumstances, the Divestment is expected to be completed by 15 March 2018, subject to the fulfilment of all conditions to closing referred to in Appendix I of this Announcement.

**12. DOCUMENTS AVAILABLE FOR INSPECTION**

The SPA entered into between PCG and AOHC is available for inspection at the registered office of PCG at Tower 1, PETRONAS Twin Towers, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia during normal business hours from Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this Announcement.

This Announcement is dated 2 October 2017

For and behalf of the Board  
**Petronas Chemicals Group Berhad**  
**Datuk Sazali Hamzah**  
**Managing Director/Chief Executive Officer**

## Appendix 1

Set out below is a summary of the key terms of the Share Purchase Agreement (the “**Petchem SPA**”) entered into between PETRONAS Chemicals Group Berhad (the “**Seller**”) and Aramco Overseas Holdings Coöperatief U.A. (the “**Buyer**”) in connection with the proposed acquisition by the Buyer of a 50 percent interest in PRPC Polymers Sdn. Bhd. (the “**Company**”).

ITEM	COMMENT
1. <b>Parties</b>	<ul style="list-style-type: none"> <li>– the Seller</li> <li>– the Buyer</li> </ul>
2. <b>Sale and Purchase of Shares and Issue of Shareholder Loans</b>	<ul style="list-style-type: none"> <li>– The Seller will sell and the Buyer will purchase 50 percent of all ordinary shares and redeemable preference shares of the Company in issue as at the closing date.</li> <li>– Immediately following closing, the Buyer and the Seller shall each own 50 percent of the ordinary shares and 50 percent of the redeemable preference shares of the Company.</li> <li>– Any shareholder loans which are not repaid as part of a pre-closing capital and debt restructuring exercise are to be allocated 50 percent to the Buyer and 50 percent to the Seller.</li> <li>– The Petchem SPA is conditional upon completion of the Share Purchase Agreement entered into between Petronas Refinery and Petrochemical Corporation Sdn. Bhd. and the Buyer dated 28 February 2017, as amended on 27 August 2017 and amended and restated on the date hereof (the “<b>RC SPA</b>” and, together with the Petchem SPA, the “<b>SPAs</b>”) and the two SPAs are required to be completed simultaneously. The Petchem SPA automatically terminates if the RC SPA is terminated.</li> </ul>
3. <b>Consideration</b>	<ul style="list-style-type: none"> <li>– The total consideration payable by the Buyer is determined by a combination of the total validated and estimated project costs as at the closing date (as adjusted for the amounts drawn down under a bridge loan).</li> <li>– The intention is for the Company to borrow an amount equal to 80 percent of the total equity value of the Company by way of a bridge loan. Petroliam Nasional Berhad (“<b>PETRONAS</b>”) and Saudi Arabian Oil Company (“<b>Saudi Aramco</b>”) will each guarantee repayment of 50 percent of the bridge loan amount.</li> </ul>
4. <b>Cost Sharing Arrangements</b>	<ul style="list-style-type: none"> <li>– All (i) project costs incurred by the Company between 31 March 2016 and the closing date, (ii) joint venture setup readiness costs, and (iii) personnel costs incurred by the Company, the Buyer or the Seller or their respective affiliates between signing of the RC SPA on 28 February 2017 and closing shall be dealt with pursuant to cost sharing arrangements set out in the Petchem SPA.</li> </ul>
5. <b>Conditions to Closing</b>	<ul style="list-style-type: none"> <li>– Closing is conditional upon: <ul style="list-style-type: none"> <li>○ certain transaction agreements (other than the SPAs), an operating plan and certain company policies each being in the agreed form;</li> <li>○ obtaining certain competition clearances and change of control consents;</li> <li>○ the execution of bridge finance documents and a bridge loan agreement becoming unconditional as to draw down;</li> <li>○ satisfaction or waiver of the conditions set out in the RC SPA; and</li> </ul> </li> </ul>

ITEM	COMMENT
	<ul style="list-style-type: none"> <li>○ certain governmental approvals and tax incentives having been obtained and remaining in full force and effect (as applicable).</li> </ul>
<b>6. Pre-Closing Restrictions</b>	<ul style="list-style-type: none"> <li>– The Company is subject to agreed 'Interim Period Consent Actions'. These are matters that cannot be undertaken before closing without the Buyer's consent.</li> <li>– Notwithstanding the above, the Company will be allowed to undertake certain key activities (referred to in the Petchem SPA as 'Permitted Conduct Actions') without the Buyer's consent.</li> <li>– The Buyer will have observer rights on certain committees up to closing.</li> </ul>
<b>7. Closing Timings and Steps</b>	<ul style="list-style-type: none"> <li>– If the conditions to closing are not met by the long stop date of 15 February 2018, the Petchem SPA will automatically terminate, unless the parties agree to extend the long stop date.</li> <li>– Subject to the satisfaction or waiver of the conditions to closing on or prior to the long stop date of 15 February 2018, closing will take place on 15 March 2018.</li> </ul>
<b>8. Governing Law / Dispute Resolution</b>	<p><b>Governing law:</b> English law.</p> <p><b>Dispute resolution:</b> disputes relating to the Petchem SPA that cannot be resolved by the chief executive officers of PETRONAS and Saudi Aramco respectively are to be resolved by arbitration in accordance with the LCIA Rules in London.</p>
<b>9. Guarantees</b>	<ul style="list-style-type: none"> <li>– Saudi Aramco is to guarantee the obligations of the Buyer under the Petchem SPA and the RC SPA.</li> <li>– PETRONAS is not required to guarantee the obligations of the Seller under the Petchem SPA.</li> </ul>