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Petronas' acquisition of Proton complete by year-end

PETRONAS and the DRB-Hicom Group are expected to conclude the sale of the latter's entire 27.2 per cent stake in Perusahaan Otomobil Nasional Bhd by the end of the year.

Petronas chairman Tan Sri Azizan Zainul Abidin yesterday gave a firm "I'm sure" when asked whether the reported RM1 billion deal for Hicom Holding Bhd's entire 143.4 million shares in the national car manufacturer would be concluded by the end of the year.

Petronas is buying the 27.2 per cent stake in Proton at RM7 per share - a transaction set to be one of the largest deals in the local automotive industry.

Azizan, however, did not disclose details of the deal including the mode of payment either in cash or share swap or a combination of both but said that negotiations were progressing well.

"Details of the deal have to be sorted out... We'll see what (will) happen," he told reporters at the familiarisation tour of the Petronas Twin Towers in conjunction with its opening by Prime Minister Datuk Seri Dr Mahathir Mohamad on Aug 31.

The RM1 billion deal is tagged with the disposal of Hicom and Diversified Resources Bhd's equity in Edaran Otomobil Nasional Bhd, Usahasama Proton-DRB Sdn Bhd and Automotive Manufacturers (Malaysia) Sdn Bhd to Proton.

DRB-Hicom group chairman Tan Sri Mohd Salleh Sulong had early this month said that the deal was inter-conditional with the group's disposal of its stake in EON, USPD and AMM to Proton, and that the entire exercise would basically comprise two parts.

Besides the sale of Hicom's 27.2 per cent shareholding in Proton to Petronas, the other part was the disposal of Hicom's stake in EON and AMM, and that of DRB in USPD, to Proton.

Azizan said Petronas' involvement in Proton would enable it to commercialise its prototype engine which was jointly developed with Switzerland's Red Bull Sauber Holding.

He also did not dismiss suggestions that Petronas' engine would be used in Proton cars.

It was reported that commercial production of the two-litre prototype engine, which is based on Formula 1 technology, was expected to begin in the year 2001.

On whether Petronas' production of its own engine would affect Proton's existing tie-ups with foreign partners, Azizan said: "It would not."

Even though Proton would be controlled by Petronas, the national car manufacturer would continue to collaborate with its foreign partners.

Proton's foreign partners included Mitsubishi Motor Corporation, which holds about eight per cent stake in the company, Ford Motor Company, Lotus of Britain, Citroen of France and Kia of South Korea.

(END)