PetroBru to submit feasibility report soon

It is seeking approval to build an oil refinery in Brunei

By ELAINE ANG
elaine@thestar.com.my

KUALA LUMPUR: PetroBru (B) Sdn Bhd, a 26% associate of TRC Synergy Bhd which has completed a detailed feasibility report to build an oil refinery in Brunei on June 4, is waiting to submit the report to the Brunei government soon.

TRC chief financial officer Yeoh Sook Keng said the report by Britain-based consultant Wood MacKenzie took six months to complete.

"We have sent a letter to the Brunei government to request for a meeting to present the report. The meeting is crucial as we will also seek approval to proceed with the construction of the refinery," Yeoh told *StarBiz*.

Brunei-based PetroBru entered into a memorandum of understanding with the Brunei government in January last year to provide data and feasibility study for the refinery and storage facility project in Pulau Muara Besar.

This was followed by an official approval letter from the government issued in September to proceed with further works towards the realisation of the project.

The other shareholders of PetroBru, which was set up to develop the proposed refinery project, are Bruneians Zainuddin Marsal (executive chairman), Mohd Zaman Noordin (chief executive officer) and Faridza Abdullah (director), who together hold the balance 74% stake.

According to Yeoh, the consultants saw an opportunity to build an export-oriented refinery in Brunei as demand for refined oil and gas products and, in turn, refinery margins were expected to pick up especially in the next few years upon full recovery of the global economy.

The refinery aims to focus on the Asia-Pacific region as its target market.

"This is just one of the milestones we need to achieve in the process. Nothing is finalised yet," Yeoh said.

The hope is that formal approval to proceed with the proposed project can be obtained in three to four months.

Yeoh estimates the cost of the project to be about US$4bil with construction starting only

»The meeting is crucial as we will also seek approval to proceed with the construction of the refinery«

YEOH SOOK KENG

in 2011 and completion in about three years barring any unforeseen circumstances.

If the project was approved, Yeoh said the plan was to set up a special-purpose vehicle (SPV) to own and run the refinery with investors and joint-venture partners in the oil and gas industry.

"PetroBru plans to be a shareholder in the SPV but not a significant one," he said.

TRC – whose bread and butter is construction – also plans to participate in the infrastructure works such as roads, bridges and land reclamation estimated at about US$500mil from the proposed project.

Currently, construction contributes more than 95% to group revenue and profit.

TRC has contracts in hand of some RM1.46bil to date with an unbilled portion of about RM700mil, which will last till next year.

It is currently bidding for about RM1bil worth of jobs mainly in the government sector.

"We expect to see more government projects awarded, especially from the second stimulus package and also the Ninth Malaysia Plan. Historically, we secure an average of RM350mil worth of contracts every year," Yeoh said.

In January, TRC secured a RM218mil contract to build the Maritime Enforcement Agency Training Céntre in Kuantan.

Yeoh said the group was also planning to expand overseas, especially in the construction and property business.

The group has a cash pile of some RM80mil presently.

This month, TRC incorporated a wholly-owned subsidiary, TRC (Aust) Pty Ltd, to undertake construction and property development projects in Australia.

TRC recorded a 15.6% drop in net profit to RM10.1mil for the first quarter ended March 31, while revenue rose 31.2% to RM180.2mil compared with the previous corresponding period.