

KUMPULAN PERANGSANG SELANGOR BERHAD (“PERANGSANG SELANGOR” OR “COMPANY”)

FRAMEWORK AGREEMENT ENTERED INTO BETWEEN AQUA-FLO SDN BHD AND PENGURUSAN AIR SELANGOR SDN BHD FOR THE SUPPLY AND DELIVERY OF CHEMICALS TO WATER TREATMENT PLANTS IN SELANGOR AND FEDERAL TERRITORIES OF KUALA LUMPUR AND PUTRAJAYA FOR YEARS 2018-2020 FOR A TOTAL ESTIMATED CONTRACT SUM OF RM162,545,214.00

1. INTRODUCTION

1.1 Framework Agreement

Pursuant to Paragraph 9.03 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Listing Requirements”), the Board of Directors of Perangsang Selangor wishes to announce that Aqua-Flo Sdn Bhd (“AFSB”), a 51%-owned subsidiary of Perangsang Selangor, had on 17 October 2018 entered into a Framework Agreement (“FA”) with Pengurusan Air Selangor Sdn Bhd (“Air Selangor”) for the supply and delivery of the following (“Supply”) to water treatment plants in Selangor and Federal Territories of Kuala Lumpur and Putrajaya for years 2018-2020 for a total estimated contract sum of RM162,545,214.00 (“Estimated Contract Sum”) (“Contract”):

- (i) The supply, transport and delivery of the Goods (as described herein) to any location as specified in the purchase orders (“Purchase Orders”) to be issued by Air Selangor and/or any of its subsidiary, associated or affiliated companies (“Air Selangor Group”) where the Supply is to be performed and/or delivered;
- (ii) The provision of all labour, materials, equipment and plant and everything, whether of a temporary or permanent nature, required in and for transport and such manufacture, testing, delivery to the site in so far as the necessity for providing the same as specified in or reasonably to be inferred from the FA; and
- (iii) All packaging for chemicals supplied must follow the Occupational Safety and Health (Classification, Labelling and Safety Data Sheet of Hazardous Chemicals) Regulations 2013 under the Occupational Safety Act 1994.

1.2 Contract Period

The commencement and duration of the Supply for the above Contract shall be for a period of two (2) years commencing from 1 November 2018 (“Commencement Date”) until 31 October 2020 (“Expiry Date”) (“Contract Period”). Air Selangor has the option to extend the Contract Period for a further term of 12 months by giving AFSB not less than one month notice in writing prior

to the Expiry Date (“Extended Contract Period”) and thereafter, the FA shall be extended accordingly subject to the same terms, conditions and covenants contained in the FA save for the Extended Contract Period.

Air Selangor and AFSB (“Parties”) may renew the FA for such further term to be mutually agreed by giving not less than one month notice in writing prior to the expiry of the Contract Period or the Extended Contract Period and thereafter, the Parties may as soon as reasonably practicable negotiate and mutually agree on the terms and conditions of such renewal in writing.

In the event that the Parties fail to reach an agreement, the FA shall automatically expire at the end of the Contract Period or the Extended Contract Period, as the case may be.

1.3 Recurrent Related Party Transaction

The Contract is regarded as a recurrent related party transaction of a revenue or trading nature which is necessary for the day-to-day operations and is in the ordinary course of business of Perangsang Selangor and its subsidiaries (“Group”) pursuant to Paragraph 10.09 of the Listing Requirements (“RRPTs”).

2. SALIENT TERMS OF THE FRAMEWORK AGREEMENT

2.1 Prices

2.1.1 Under the FA, the Estimated Contract Sum is based on approximate quantities, and the actual total quantities to be supplied shall be based on the Purchase Orders issued by Air Selangor and/or Air Selangor Group under the FA. For the avoidance of doubt, Air Selangor and/or Air Selangor Group shall not be obliged to fulfil the Estimated Contract Sum.

2.1.2 The prices for the Goods to be supplied under the FA as set out in the Schedule of Rates attached to the FA for the respective chemicals stipulated in the Bills of Quantities (“Agreed Rates”) shall remain as firm rates and the Agreed Rates are not subject to any changes, variations or cost escalation by AFSB during the Contract period or the Extended Contract Period.

2.2 Performance Bond

2.2.1 AFSB shall prior to the Commencement Date or at any such other period as agreed by Air Selangor in writing, deliver to Air Selangor a performance bond in the amount equivalent to 5% of the Estimated Contract Sum (“Performance Bond”) and which shall remain valid throughout the Contract Period or the Extended Contract Period.

2.3 Termination

2.3.1 Either Air Selangor or AFSB shall be entitled to terminate the FA forthwith by giving a written notice to the other if: -

- Air Selangor or AFSB is subject to an order made against it or a resolution passed for the winding up (except for the purpose of reconstruction, amalgamation not involving the realisation of assets which the interests of creditors are protected);
- Air Selangor or AFSB goes into liquidation or a receiver is appointed over the assets whether compulsorily or voluntarily or suffers its goods to be taken in execution or becomes insolvent or compounds with or makes assignment for the benefit of its creditors or does any act which affects its ability to fulfil its obligations under the FA;
- Execution is levied against a substantial portion of assets unless it has instituted proceedings in good faith to set aside such execution; or
- The other Party ceases, or threatens to cease, to carry on business.

3. EFFECT OF THE CONTRACT

The Contract is made in the ordinary course of business and has been established on an arm's length basis.

The Contract is expected to contribute positively to Perangsang Selangor Group's earnings and net assets for the duration of the Contract.

4. RISK FACTORS

The risks associated with the Contract are mainly fluctuation in foreign currency against Ringgit Malaysia, fluctuation in chemical product prices and shortage of material supply.

5. DIRECTORS' AND MAJOR SHAREHOLDER'S INTERESTS

Save as disclosed below, none of the Directors and Major Shareholders of the Company as well as persons connected with them have any interest, direct and/or indirect in the Contract:-

YM Raja Shahreen bin Raja Othman ("Interested Director") is a Director of Kumpulan Darul Ehsan Berhad ("KDEB") and a Non-Independent Non-Executive Chairman of Perangsang Selangor.

Encik Suhaimi Kamaralzaman (“Interested Director”) is the President of KDEB and the Chief Executive Officer and Director of Air Selangor and at the same time, Non-Independent Non-Executive Director of Perangsang Selangor with direct shareholding of 0.002%.

KDEB is a major shareholder of Perangsang Selangor with direct shareholding of 57.88%. KDEB is the ultimate holding company of Air Selangor.

The Interested Directors mentioned above have abstained and will continue to abstain from all deliberations and voting at the Board of Directors’ meeting and Audit Committee’s meeting (where applicable) of Perangsang Selangor in respect of the RRPTs.

6. STATEMENT BY THE AUDIT COMMITTEE

The Audit Committee (save for YM Raja Shahreen bin Raja Othman), after having taken into consideration of the Contract, is of the opinion that the Contract is:

- (i) in the best interest of the Company;
- (ii) fair, reasonable, and on normal commercial terms; and
- (iii) not detrimental to the interest of the minority shareholders of the Company.

7. STATEMENT BY THE BOARD OF DIRECTORS

The Board of Directors of Perangsang Selangor (save for the Interested Directors), after having taken into consideration of the Contract, is of the opinion that the Contract is:

- (i) in the best interest of the Company;
- (ii) fair, reasonable, and on normal commercial terms; and
- (iii) not detrimental to the interest of the minority shareholders of the Company.

8. APPROVALS REQUIRED

The Contract does not require the approval of Perangsang Selangor’s shareholders or any relevant authorities. Nevertheless, Perangsang Selangor will ensure the compliance of Paragraph 10.09 of the Listing Requirements, as and when required.

This Announcement is dated 17 October 2018.