

GFM diversifies into the oil and gas maintenance business

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From left to right: GFM Services Bhd managing director Ruslan Nordin, Highbase Strategic Sdn Bhd managing director Noor Jasni Zakaria and GFM Services chairman Abdul Rahim Abdul Hamid posed for a photograph, after signing a deal that will see GFM Group diversifying into the maintenance business in the oil and gas sector.

KUALA LUMPUR: Integrated facilities management service provider GFM Services Bhd is diversifying into the maintenance business in the oil and gas sector.

In a statement today, GFM Services said it plans to buy a 49 per cent stake in Highbase Strategic Sdn Bhd (HSSB), a downstream oil and gas maintenance company, for RM1.

Founded in 2003, HSSB is principally involved in the cleaning, repair and maintenance of storage tanks, pressure vessels and heat exchangers.

GFM's acquisition of HSSB is expected to complete in the first half of 2020, barring unforeseen circumstances.

GFM also plans to subscribe up to 20 million redeemable convertible preference shares (RCPS) in HSSB for RM15 million and up to RM20 million, based on the issue price of RM1.00 per RCPS.

The proposed RCPS subscription is expected to be funded by a combination of GFM's internally funds, equity financing and borrowings.

The proceeds from this shall be used as capital expenditure for HSSB's project at Pengerang, Johor, as well as to partially settle debts owed by HSSB to its trade creditors, bankers and statutory institutions.

GFM will receive a fixed dividend rate of 6 per cent per annum from the RCPS.

Additionally, GFM has also entered into a call option agreement, which grants GFM the right to exercise the call option to buy up to 117,648 HSSB shares, representing 2 per cent in HSSB, at an exercise price of RM0.51 per HSSB share.

Upon conversion, HSSB shall become a 51 per cent-owned unit of GFM. The call option is only effective six months from the date of the agreement up to and including 31 July 2024.

GFM Services managing director Ruslan Nordin said, "we believe it is an opportune time to enter the oil and gas industry as optimism and activities for service providers are expected to pick up."

HSSB's 51 per cent-owned joint venture with Singapore-based oil and gas integrated solutions provider, Mun Siong Engineering Ltd, which is listed on the Main Board of the Singapore Exchange, is one of the five players who has secured the Integrated Turnaround Main Mechanical and Maintenance Mechanical Static contract to provide plant turnaround services for the Pengerang Integrated Complex in Johor from Petroliam Nasional Bhd (Petronas).

With an estimated project value of RM247.5 million, the contract is for five years with an option to extend by Petronas.

"The oil and gas sector is not entirely new to us as we had previously secured a 3-year contract worth RM65 million from January 2016 up till March 2019 to provide workers camp management services during the construction period of a steam cracker plant at Pengerang, Johor," said Ruslan.

Source:

<https://www.nst.com.my/business/2019/12/548769/gfm-diversifies-oil-and-gas-maintenance-business>