

Headline	TNB takes 51pc of Johor plant		
MediaTitle	The Star		
Date	04 May 2017	Language	English
Circulation	338,368	Readership	1,032,000
Section	StarBiz	Page No	1,2
ArticleSize	316 cm <sup>2</sup>	Journalist	S.PUSPADEVI
PR Value	RM 47,709		



# TNB takes 51% of Johor plant

SIPP no longer major shareholder of 1,440 MW power plant

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**PETALING JAYA:** Tenaga Nasional Bhd (TNB) has acquired a 51% stake in SIPP Energy Sdn Bhd's Johor-based unit Southern Power Generation Sdn Bhd (SPG), a company that was given the nod to build a 1,440 MW power plant in Pasir Gudang, Johor, last September.

The national utility company inked a share sale and purchase agreement (SSPA) with SIPP and a shareholder's agreement with both SIPP and SPG yesterday to buy the stake for RM51.

TNB said the acquisition was made after it received the Energy Commission and the Government's approval.

TNB told Bursa Malaysia that by acquiring SPG, it will ensure the completion of the power plant project in Pasir Gudang with its expertise and financial strength.

"The project will increase TNB's market share and efficiency of asset portfolio generation, which in turn will accelerate our aspiration to become a top-10 global utility firm by 2025.

"The project will be earnings accretive to TNB and its shareholders upon its scheduled commercial operation date (SCOD)," TNB said.

SIPP, a private vehicle owned by the Sultan of Johor, previously held a 100%

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TNB

stake in SPG.

Last September, SPG was finally given the go-ahead by the government to build a 1,440MW power plant costing about RM4.7bil in Pasir Gudang.

SPG will construct, own, operate and maintain the gas-fired combined cycle electricity generating plant.

The project, according to TNB's filings, is expected to achieve its SCOD on July 1, 2020 and enhance TNB's capacity generation, apart from having a positive impact on TNB's earnings.

TNB said the purchase consideration was

derived based on the RM100 issued share capital in SPG and that it will use internal funds for the acquisition.

Under the salient terms and conditions of the SSPA, the acquisition consideration shall be paid by TNB to SIPP upon the fulfillment of conditions precedent to the SSPA.

Also, key decisions related to SPG's business and operations must be conducted with TNB's consent, pending the completion of conditions precedent as stipulated in the SSPA.

TNB said the acquisition will not have any material effect on TNB's consolidated net assets per share.

However, the effects on TNB's future earnings and earnings per share will only be determined upon the completion of the project.

"Estimated project costs are about RM4.7bil and will be financed via a combination of project finance and equity.

"Any debt to be raised will increase TNB's consolidated gearing, the quantum of which is dependent on the amount borrowed," TNB explained, adding that it is not expected to have a material impact on its gearing position.

The acquisition is expected to be completed upon the fulfilment of all conditions precedent in the SSPA within 45 days after the execution of the SSPA.