Headline	1MDB power assets sale lifts ringgit, TNB		
MediaTitle	The Sun		
Date	25 Nov 2015	Language	English
Circulation	305,473	Readership	832,000
Section	Business Feature	Page No	15,17
ArticleSize	357 cm²	Journalist	LEE WENG KHUEN
PR Value	RM 17,466		

1MDB power assets sale lifts ringgit, TNB

> Strategic investor mum on whether deal includes development rights for Track 4B and a solar plant

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PETALING JAYA: The sale of 1Malaysia Development Bhd's (1MDB) energy assets to a foreign party has eased the downward pressure on the ringgit, which rebounded as much as 1.79% to 4.2253 against the US dollar yesterday.

As at 5pm yesterday, the ringgit traded at 4.2425 to the greenback.

1MDB, however, did not comment on whether both Track 4B which is a 2,000MW combined cycle gas turbine (CCGT) in Malacca and 10 x 50MW utility scale solar power plants, which are yet to be constructed, are in the list of assets to be sold to China-based China General Nuclear Power Corp (CGN).

When contacted, 1MDB said it is not able to comment on matters of government policy and regulation. The Energy Commission did not respond to requests for comment.

MIDF Research said it is worthy to observe whether the financial market will define the energy assets sale as "solving" 1MDB's problems and help to reduce the negative sentiments in the market. "Our foreign exchange rate model is indicating that without all of the negative sentiments, the ringgit should currently be at RM3.70 against US dollar," it added.

Tenaga Nasional Bhd (TNB) shares soared as much as 74 sen or 5.51% to RM14.16 yesterday after its failed bid to secure the energy assets from 1MDB relieved concerns over a bailout of 1MDB by TNB. The counter pared its gains to close 16 sen or 1.19% higher at RM13.58, with 26.57 million shares traded.

Analysts are convinced that the failed bid by TNB will trigger a share price rally in the stock, which has been under pressure since its takeover of greenfield Project 3B from 1MDB in June.

Pressure mounted after TNB indicated its interest in acquiring Edra Global, which sent the share price to as low as RM10.26 in end-August from a peak of RM16.96 in early February.

Kenanga Research said the sale of 1MDB's energy assets removes market concerns over the possibility of TNB overpaying for the assets, which could trigger a re-rating to the pre-selldown level of 14 to 15 times price-to-earnings ratio. Operationally, it said, the change in ownership of these assets will not affect TNB as an energy off-taker as all capacity payments from these power plants are backed by power purchase agreements.

While RM9.83 billion is a good exit price for 1MDB, Kenanga Research said, it may not be attractive for the buyer as it had estimated previously that Edra should be valued at no more than RM9 billion.

"This is based on Malakoff relisting its IPP's effective installed capacity of 6,036MW assets at RM9 billion in May this year, which have a similar life span as 1MDB's effective installed capacity of 5,594MW," it explained.

Hong Leong Investment Bank (HLIB) Research said it is not overly concerned over the entry of CGN into Malaysia's power sector, given that CGN will only control 3,640GW or 15.6% of Peninsular Malaysia's power generation capacity, with the majority still controlled by TNB (54.9%) and Malakoff Bhd (21.3%).

"Furthermore, CGN's power assets are governed by strict power purchase agreements' terms and conditions."

However, HLIB Research said it is unsure at this juncture if CGN is allowed to own 100% of Malaysia power assets or CGN may need to pare down its stake to local partners in the future.

Association of Water and Energy Research Malaysia (Awer) president S Piarapakaran, meanwhile, maintained that strategic assets should be within the control of the government, and that the 49% equity cap for foreigners should be maintained.

Over the longer term, Piarapakaran said, the sale of 1MDB's energy assets to foreign party will see the outflow of money from the country. "I did a brief cost-benefit analysis, I think we lose in the long term."

He reiterated that the energy assets sale should not include the two development rights for Track 4B and solar projects.

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CGN does not rule out listing Edra Global

KUALA LUMPUR: China General Nuclear Power Corp (CGN), which successfully won the bidding for 1Malaysia Development Bhd's (1MDB) energy arm, Edra Global Energy Bhd, does not rule out a listing for the power company in the medium term.

In a statement yesterday, CGN said it will welcome Malaysian investors into Edra at the opportune time.

The company said the total asset value being transacted amounts to about RM17 billion, and it intends to further capitalise Edra for the successful delivery of two major power development projects in Malacca and Kedah. It will also enable Edra to pursue expansion opportunities in Egypt, Bangladesh and elsewhere, CGN added.

CGN chairman He Yu said the company has total assets amounting to more than US$65 billion (RM281 billion), with several subsidiaries listed on the Hong Kong Stock Exchange. The company has also invested in power projects in China, South Korea, Australia, the UK and France.

CGN said it is its practice to maintain all existing senior management and staff of the companies it acquired.

He Yu said CGN has encouraged the current local management and staff to continue running Edra as it believes that a company's strength is in its people and that they know how to run the business best in the countries in which they operate. – Bernama

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