

Headline	EC slammed over Tadmax power deal		
MediaTitle	Focus Malaysia		
Date	13 Aug 2016	Color	Full Color
Section	News	Circulation	20,000
Page No	23,24	Readership	60,000
Language	English	ArticleSize	670 cm ²
Journalist	N/A	AdValue	RM 11,536
Frequency	Weekly	PR Value	RM 34,608



EC slammed over Tadmax power deal

Energy Commission's award of RM3 bil Pulau Indah power plant project raises questions



By Khairul Khalid

THE Energy Commission's (EC) manner in awarding a power plant project to Tadmax Resources Bhd has come under fire after it turned out that Tenaga Nasional Bhd (TNB) was not

even aware of its involvement.

An industry analyst tells **FocusM** it is very odd that TNB was not informed of the project, considering the award letter had explicitly mentioned the government's directive for the utility giant to be involved.

He also says the lack of transparency over the award is worrying.

"As a regulatory body, the EC should have been more transparent about the deal. The primary question on everyone's mind is why TNB was not informed? This reflects badly on its (EC) credibility," says the analyst.

He says the award of such a huge project, reportedly worth up to RM3 bil involves two public-listed companies, and shareholders will not be pleased with how it was handled.

"It is quite baffling that such a major announcement, which is supposed to include the participation of the largest energy player in the country [TNB], was not informed to it in advance. Was there a communications breakdown?" the analyst asks.

On Aug 3, Tadmax announced on Bursa Malaysia that the EC had handed it a letter of award from the government dated Aug 2, to develop a 1,000MW combined cycle gas-fired power plant to be located on its land in Pulau Indah,

Selangor.

"In line with the decision of the government of Malaysia, TNB is to be invited to participate in the project," said Tadmax in the statement.

A day later TNB issued a statement saying it was not aware of the deal and was not notified of the decision for it to be invited to participate in Tadmax's power plant project.

However in the latest development, TNB informed Bursa on Aug 10 that the EC has since informed it of the deal.

"TNB will be evaluating the offer as well as its role in the project," it said.

Another analyst questions the award of the power plant project to Tadmax, arguing that it has no relevant experience in the energy sector.

"It is an unlikely winner of a directly awarded project by the EC.

"Tadmax is primarily a property company ... does it have the technical or financial capabilities to undertake such a huge energy project?

"Last year, the company had only around RM13 mil turnover and its market capitalisation was just above RM200 mil.

"The simple fact is Tadmax does not have a track record in the energy sector. Maybe that's why TNB's participation is essential. But if that is the case, why doesn't the EC just award the project to TNB, instead of Tadmax?"

The analyst says the continuing

► Continues next page

Trend of awarding direct projects 'alarming'

► From previous page trend of awarding major power plant contracts without competitive bidding is alarming.

"There should have been an open tender for this project. Awarding a RM3 bil power plant project directly to a com-

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pany that has no previous experience in the sector only raises more questions," says the analyst.

However, this is not the first time Tadmax has been in the running for a major power plant project. It was one of seven contenders for a 2,000MW coal-fired power project nicknamed Project 3B that's located in Jimah, Negeri Sembilan.

Delayed project

Project 3B was awarded to 1Malaysia Development Bhd (1MDB) in 2014, but last year TNB took over the delayed project, reportedly due to 1MDB's deepening financial problems.

Tadmax was incorporated in 1968 as a public limited company called Pacific Chemicals Bhd.

It was subsequently renamed Wijaya Baru Global Bhd before changing to its present name in 2012. It was listed on the main board of the Kuala Lumpur Stock Exchange in 1970.

When it was known as Wijaya Baru Global, it was embroiled in the Port Klang Free Zone (PKFZ) scandal.

Kuala Dimensi Sdn Bhd (KDSB), the turnkey developer appointed by Port Klang Authority (PKA) for PKFZ, was a

subsidiary of Wijaya Baru Global.

KDSB sold 305ha in Pulau Indah to PKA for RM1.09 bil in 2004, which critics said was a highly inflated sum.

It is also a company that is said to be well connected politically. Tadmax's executive deputy chairman Datuk Faizal Abdullah is Umno division chief in Kapar, Selangor. He also has a 15% stake in the company.

Its core businesses are property development, agriculture and industrial supply. It has two property projects worth about RM1.3 bil in gross development value (GDV) - Mizume Residences in Kepong and Ganggarak Permai apartments in Labuan.

In 2014, the company revealed its intention to focus on the property business.

And in August last year, Tadmax was reclassified under the properties sector on the main market of Bursa Malaysia.

On July 22, the company announced it was acquiring the remaining 45% equity interests in Wawasan Metro Bina Sdn Bhd from three entities - Inas Angkasa Sdn Bhd, Impiria Jaya Sdn Bhd and Global Showcase Sdn Bhd - for RM42 mil to strengthen its foothold in the property sector.

Its other businesses include a

landbank of 80,000ha for agricultural development in the province of Papua in eastern Indonesia. The land is earmarked for an oil palm plantation.

That said, Tadmax it is also said to be planning to exit the plantation business by selling its Indonesian landbank.

Meantime, the company supplies ready mix concrete in Labuan with a monthly capacity of 3,000 cubic metres, which is utilised for its Ganggarak Permai development.

In FY15 ended Dec 31, Tadmax reported revenue of RM13.2 mil, down 41.7% from the previous year. Its main revenue contributors were property (60%) and industrial (40%).

It posted a profit after tax of RM67.3 mil on selling its subsidiary Tadmax Power Sdn Bhd, which owned approximately 129ha of vacant leasehold land in Pulau Indah.

The Tadmax Power sale to Ivory Merge Sdn Bhd for RM317 mil was first announced in 2014.

Ivory Merge is a wholly-owned subsidiary of 1MDB Real Estate Sdn Bhd, which in turn is a wholly-owned subsidiary of 1MDB.

For the first quarter ended March 31, Tadmax posted revenue of RM5.4 mil and net losses of RM3 mil. **FOCUSM**



The EC has to explain why TNB was unaware of the project awarded to Tadmax

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TADMAX RESOURCES BHD

KEY BOARD MEMBERS AND MANAGEMENT

DATUK SERI ANUAR ADAM (managing director)

TAN SRI ABDUL SAMAD ALIAS (chairman)

DATUK FAIZAL ABDULLAH (deputy chairman)

MAJOR SHAREHOLDERS

DATUK FAIZAL ABDULLAH 15.06%

CHEN CHEE MIN 8.73%

MARKET CAP (Aug 10) **RM227.5m**

SHARE PRICE (Aug 10) **46 sen**

52-WEEK HIGH (Aug 8) **54 sen**

52-WEEK LOW (Aug 18, 2015) **22 sen**

FINANCIAL RESULTS (Q1 ended March 31, 2016)

REVENUE **RM5.49m**

NET LOSS **RM3.07m**