

ASIA POWER CORPORATION LIMITED

PROPOSED ACQUISITION OF ADDITIONAL INTEREST IN SICHUAN ANNING RIVER ENERGY DEVELOPMENT CO., LTD

1. Introduction

The Board of Directors of Asia Power Corporation Limited (the "**Company**") wishes to announce that the Company's 60%-owned subsidiary, Asia Power (Neijiang) Hydroelectricity Co., Ltd ("**NJ**") which currently holds a 30% equity interest in Sichuan Anning River Energy Development Co., Ltd ("**SAR**") has on 26 December 2005 entered into a Share Transfer Agreement with 国电四川电力股份有限公司 Guodian Sichuan Dianli Co., Ltd (the "**Vendor**") and 洋浦嘉和泰丰投资有限公司 Yangpu Jiahe Taifeng Investment Co., Ltd ("**Yangpu**") for the acquisition ("**Acquisition**") of a further 5% interest (the "**Interest**") in SAR. Yangpu will acquire the Vendor's remaining 30% equity interest in SAR from the Vendor.

SAR had undertaken a loan of approximately RMB200,000,000 ("**Loan**") from Agriculture Bank of China ("**Bank**") for the purpose of construction of a hydropower plant in China. The Loan was secured by corporate guarantees by the shareholders of SAR in their respective shareholding proportion. The Vendor had therefore provided a guarantee of up to RMB70,000,000 ("**Vendor Guarantee Obligation**") in respect of the Loan. In connection with the Acquisition, it is proposed that the Company's 51%-owned subsidiary, Heilongjiang Asiapower Xinbao Heating & Power Co., Ltd ("**Xinbao**"), will undertake the Vendor Guarantee Obligation on behalf of NJ and Yangpu. In consideration, Yangpu will grant in favour of Xinbao security in the form of its 30% equity interest in SAR to be acquired by Yangpu pursuant to the Acquisition. Yangpu will also assign the right to nominate 2 directors to the board of SAR to NJ. After such assignment, NJ will have the right to nominate a total of 4 directors out of the 7 board members in SAR.

Upon completion of the Acquisition, NJ will hold 35% equity interest. The Company will hold an indirect interest of 21% in SAR.

2. Consideration

The consideration ("**Consideration**") to be paid by NJ to the Vendor for the Acquisition shall be RMB2,928,571 (approximately SGD612,000, based on an exchange rate of RMB1.00: SGD0.209).

The Consideration for the Acquisition which will be satisfied in cash has been agreed between the parties through negotiations on a willing buyer willing seller basis after taking into account the share capital valuation and goodwill of the Company.

Based on the latest unaudited financial statements of SAR for the 11 months ended 30 November 2005, the net asset value attributable to the Interest amounted to approximately SGD465,000. Upon completion of the Acquisition, NJ will recognize a goodwill of approximately SGD147,000 (being the difference between the net asset value attributable to the Interest and the Consideration).

The Acquisition is not expected to have a material impact on the earnings per share and net tangible assets per share of the Company for the financial year ending 31 December 2005.

3. Rationale for the Acquisition

The Directors of the Company view the Acquisition as a means to strengthen the Company's control on SAR whose financial performance and future prospects is very optimistic. Upon the completion of the Acquisition, NJ will be the single largest shareholder of SAR with an equity interest of 35% and will have the right to nominate 4 directors out of the 7 board members.

Further, the Acquisition also represents the Company's continued strategy to focus on renewable energy power plants such as hydropower as the Company's main engine of growth.

4. Directors' and Controlling Shareholders' Interests

None of the Company's directors or controlling shareholders has any interests, direct or indirect, in the Acquisition.

5. Information about SAR

SAR is a hydropower plant located along the Anning River in Sichuan Province. Being an environmental friendly power plant, SAR relies on water as the driving force to generate electricity. SAR currently has a total installed capacity of 52MW and has commenced operation in January 2005.

By Order of the Board

Submitted by Tan Khoo Guan, Company Secretary on 27 December 2005 to the SGX-ST.