

Asia Power to invest \$10m in new hydro power plant

The 40MW facility in Sichuan will be its fourth hydro power station

By **TEH HOOI LING**

ASIA Power will invest about \$10 million to develop a hydroelectric power station in China's Sichuan province, bringing its hydroelectric plant investments to four.

The Shenzhen-based company's chief executive Zhang Gang Zhu, who is in town this week, told analysts and reporters on Wednesday that the total cost of constructing the 40 MW plant will be more

than 200 million yuan (S\$40.3 million).

Bank financing will take care of 70 per cent of that. For its 75 per cent stake, Asia Power will pump in some \$10 million, which will be funded internally.

The plant will increase Asia Power's effective hydro power capacity by 70 per cent, and will start operations by end-2007. "Going forward, our focus is on environmentally-friendly and renewable power plants such as hydro power plants," said Mr Zhang.

There are numerous advantages to the small and medium-sized hydro plants owned and run by Asia Power, he added. First, wa-

ter is provided free by nature, and it's renewable. Second, there is minimal pollution to the environment. Third, hydro power plants can run from 50 to 100 years, compared with 15 for coal-fired plants.

The long life of hydro plants is made more attractive given that Asia Power managed to recoup its investments in one of the hydro plants in just two years. Typically, though, the payback period is 10 years.

In a bid to encourage cleaner energy, the Chinese government is allowing hydro power plants to be the first to supply electricity onto the power grids. This advantage is valuable at a

time when the supply of power exceeds demand, a situation that China is facing now as many new power plants are coming on stream.

Meanwhile, coal-fired plants are also struggling under the weight of rising coal prices. To cover the high coal prices, electricity tariffs have been raised.

"The higher tariffs benefit our hydro power plants as well even though our cost remains the same. That's why our net profits rose 85 per cent last year when others' fell 30 per cent," said Mr Zhang.

Besides the existing three hydro plants, Asia Power also have four coal

and heavy diesel-fired, as well as combined cycle facilities.

Asia Power's three hydro plants — with effective stakes of 21 per cent, 25.6 per cent and 25.9 per cent — contributed \$2.5 million to its net profit of \$10.1 million last year.

The group expects the contributions to expand this year as its increased investments in Anning River, Sichuan, was made only in the second half of last year when the plant wasn't fully operational then. It is now.

Asia Power yesterday closed 2.5 cents up to 25 cents. At that price, it is trading at 8.6 times its 2005 earnings.