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Gunung Capital to expand into renewable energy biz

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PETALING JAYA (Aug 22, 2013): Gunung Capital Bhd is looking to expand into the renewable energy business in Perak through a proposed acquisition of an 85% stake in loss-making Pusaka Hijau Sdn Bhd, which holds the rights to develop small hydro plants in the state.

Pusaka Hijau, through its 60%-owned subsidiary Perak Hydro Renewable Energy Corp Sdn Bhd (PHREC), is involved principally in developing, maintaining and operating mini hydro plants, which is defined by the Sustainable Energy Development Authority as hydro plants up to an installed capacity of 30 megawatts (MW). The remaining 40% interest in PHREC is owned by Menteri Besar Inc.

For the financial year ended June 30, 2012, the net loss and net liabilities for Pusaka Hijau stood at RM22,757 and RM11,788 respectively.

Gunung Capital yesterday signed a share sale agreement with Pusaka Hijau managing director and shareholder Beroz Nikmal Mirdin for the proposed acquisition of 425,000 Pusaka Hijau shares, or 85% of the company's share capital, for the sum of RM9.1 million.

In exchange, Gunung Capital will issue 9.58 million shares at 95 sen per share, which represents 7.3% of the group's share capital, to Beroz Nikmal. The 95-sen issue price is at a 5.48% discount to the five-day volume-weighted average price of Gunung Capital shares as at Aug 20, 2013 of RM1.005 apiece.

In a statement yesterday, Gunung Capital said PHREC has been mandated by the Perak state government to act as the master developer and overall coordinator for the development of mini hydro plants in the state.

Last year, PHREC entered into a water rights agreement with the Perak state government, which includes the right to build, operate and own small hydro plants at 25 pre-identified sites approved by Majlis Mesyuarat Kerajaan, with an estimated total installed capacity of 176MW for 21 years commencing from the feed-in-tariff commencement date for each site.

The water rights agreement includes land usage and water usage.

On April 29, 2013, the Perak state government and PHREC entered into a supplemental agreement to extend the list of pre-identified sites by six, resulting in an additional estimated installed capacity of 116MW.

"Prior to the proposed acquisition of Pusaka Hijau, Gunung Capital, through its 70%-owned unit Gunung Hydropower Sdn Bhd, has secured two sites to develop mini-hydro plants with a total estimated installed capacity of 20MW on a build, operate and own concept.

"This was achieved via a joint venture agreement with PHREC, which is the remaining 30% shareholder of Gunung Hydropower," said Gunung Capital.

Gunung Capital executive director Iskandar Ibrahim said that based on a capital expenditure of RM10 million per megawatt, the hydrology characteristics of the individual sites, the subsequent energy yield, a relatively low annual operational expenditure, and a fixed income stream, the group is looking to meet its targeted 12-14% internal rate of return for each mini-hydro project.

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Gunung Capital executive chairman and CEO Datuk Syed Abu Hussin Hafiz Syed Abdul Fasal said the long-term stable income stream derived from the mini-hydro projects will reduce the group's dependency on incomes solely from chartering land-based transportation assets and specialty vehicles.

"The initial earnings contributions from the mini-hydro sites are expected to commence at the beginning of 2016," he added.

Gunung Capital's financial results have been stellar in the last two financial years ending Dec 31, 2011 and 2012, following a corporate restructuring exercise in October 2010 involving a change of business direction, the acquisition of GPB Corp Sdn Bhd and the entry of Syed Abu Hussin.

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