

Going big into water projects

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GEORGE TOWN: Two Main Market-listed companies are drawing up plans to tap the water projects in China and Malaysia, as both governments plan to spend billions to improve water supply facilities in their respective countries.

In China, the government's plan is to spend US\$608bil on water projects over the next 10 years to eradicate the problem of unsafe drinking water in rural areas.

Under the 10th Malaysian Plan, the Government plans to spend approximately RM1.8bil for water projects in the country over the next two years.

In the East Coast Economic Region and Sarawak Corridor Renewable Energy, approximately RM271mil worth of various infrastructure works including water supply facilities will be given priority in 2011.

GUH Holdings Bhd, a new player in the water treatment business, for example, has entered into a preliminary agreement with the Gaochun Economic Development Zone in Jiangsu to undertake the construction of a 100 million litres per day (MLD) water treatment plant on a build-operate-transfer basis.

Group managing director Datuk Kenneth H'ng said the investment in the project was estimated at 180 million renmimbi, including distribution networks, which would be implemented in two phases of equal capacity.

"Our subsidiary GUH International (HK) Pte Ltd is currently conducting feasibility studies on the project," he said.

In Malaysia, GUH recently took up a 70% stake in a Teknoserv Engineering Sdn Bhd, a company specialising in the design and building of water treatment plants for municipal water supply and sewage treatment works.

"Initial contribution from this acquisition is expected to be small and insignificant to the group's revenue.

"From the on-going business contracts of Teknoserv, the water business is expected to generate between RM15mil and RM20mil or about 5% of GUH's revenue for its 2011 financial year ending in December," he said.

The rationale of GUH in moving into the water business is to reduce the group's heavy reliance on the printed circuits board business, which currently generates about 90% of the group's revenue.

Salcon Bhd, presently with nine water and wastewater concessions in China, of which four are on-going projects scheduled for completion in 2011, is also aiming to expand further and strengthen its presence in China.

"Our strategy going into the China market is to target cities which are affluent so as to ensure that the risks of non-payment, either by the municipality or the people, are mitigated. We are now looking at two water and wastewater treatment projects in Jiangsu province and two more in Zhejiang," group executive director Datuk Eddy Leong said.

"These are build-operate-transfer and transfer-operate-transfer projects, which we aim to secure at least one or two this year. All our current concessions are located on the eastern part of China where provinces are more affluent and payment of water and wastewater bills had been prompt."

He said the group planned to further build and expand its concession revenue so as to generate a steady income stream and to reach a meaningful size to consider an IPO in Hong Kong or China in three years time.

"We are positive on the growth of China concessions' revenue and earnings from 2012,



H'ng: 'Subsidiary conducting feasibility studies.'

with the targeted completion of four on-going projects by year-end, which will double the total production capacity to 1,000MLD as compared with 500MLD in 2010.

"In 2010, concessions in China contributed approximately RM66mil or 15% to the group's turnover," he said.

In Malaysia, the group is eyeing the Sungai Langat Water Treatment Plant (Langat 2) project, which is currently on hold.

"Besides this, we are also tendering for various water projects by the Water Asset Management Co on an open tender basis.

"We see key potential areas in the development and upgrading of water distribution network, consisting of laying of new pipes of various sizes and replacement of existing asbestos cement pipeline to reduce non-revenue water (NRW)," Leong added.

Currently, Salcon is undertaking PAAB projects such as the Sg Labu Water treatment project, the NRW reduction works in Kelantan, and the implementation of sewerage works in Kota Kinabalu.

"We are also providing operation and maintenance services for Syarikat Air Negeri Sembilan at the Sg Terip and Kuala Jelai water treatment plants in Negeri Sembilan."

Meanwhile, Unimech Group Bhd is also drawing up plans to penetrate the water business in China in the next 12 months.

Group executive director Y.F. Sim said the group would leverage on its plant in Tianjin, which currently manufactured water valves under the "Arita" brand name for the Indonesian market, to supply to China's domestic market.