

Asia Power Corp

Reuters: ASPW.SI
Bloomberg: API SP

Sector: Industrial
Price S\$0.18

Rating:

 Maintain **Outperform**

Y/E 30-Dec	6M 2002A	6M 2003A	2004F	2005F
Net Profit (\$m)	1.1	0.9	5.4	5.9
EPS (S cent)	0.3	0.3	1.7	1.7
EPS Growth (%)	-	-15	+500	+1
Consensus EPS	-	-	1.7	1.9
PER (x) @ S\$0.18	54.5	64.3	10.7	10.7
NTA (S\$)	0.15	0.15	0.17	0.18

Performance (%)	1mth	3mth	12mth	Market Capitalisation :	S\$	63m
Absolute	+14	+3	-9	Issued Shares :		351m
Relative against STI	+13	-3	-21	30-day avg daily vol ('000) :		196

Note: FY02 & FY03 figures are for 6 mths due to change of year-end from Jun to Dec

Share placement of 30m shares

- Placement of 30 million shares at 15.5 cents
- Planning to invest in new wind power plant in China
- Placement to several smaller institutional funds
- Placement price discount to last done price is a dampener on short-term sentiment
- Maintain medium term **OUTPERFORM** rating

Summary: Asia Power Corporation Limited is investing S\$7.56 million in a joint venture, which is setting up and building a new wind power plant in China. As part of this deal, it is raising S\$4.48 million through a private placement to partially finance this investment. This involves the issuance of 30 million new shares at a price of S\$0.155 per share, or a discount of 2.5 cents or 14% from the last traded price of 18 cents on Monday. A check with the management revealed that details of this new project are still not available at the present moment. However, management indicated that the plant is unlikely to contribute to current year's earnings. On the placement front, management indicated that the bulk of the

placement shares went to smaller institutional funds. API's FY04 results are due out in late February. Until then, we are holding on to our estimates of a net profit of S\$5.4m for FY04 and S\$5.9m for FY05. Following today's share placement, API's share price has corrected to about 16 cents currently. At 16 cents, the stock is trading at 9.5x FY04 earnings and 8.6x FY05 earnings. Yield is estimated at about 3.1%. For the short term, sentiment is likely to be hit by the lower placement share price. But over a longer term, the outlook is still positive as the new shares are in the hands of institutional investors and its profits are returning to the old level of more than S\$5m per year. With its undemanding valuation and better-than-peers yields, we are retaining our **OUTPERFORM** rating and lowering medium term fair value slightly from 19 cents to 18.5 cents.

Share placement of 30m shares. Asia Power Corp has just placed out 30 million new shares at 15.5 cents each. This raised about S\$4.48 million. The proceeds from the placement will be channelled to finance its investment in a new wind power plant in China. The latter is a joint venture and will involve investment of S\$7.56 million.

At the placement price of S\$0.155 per share, this is at a 14% or 2.5 cents discount to Monday's last done price of 18 cents. After the placement, API's share capital will increase from 321.19 million shares to 351.19 million shares.

No other details on the joint venture. A check with management revealed that negotiation for the new project is still at the infancy stage and details are not available at the present moment. However, management indicated that the plant is unlikely to contribute to current year's earnings, as it is likely to take more than one year for the completion of the new plant. In addition, the group is also seeking to take a majority stake in this joint venture.

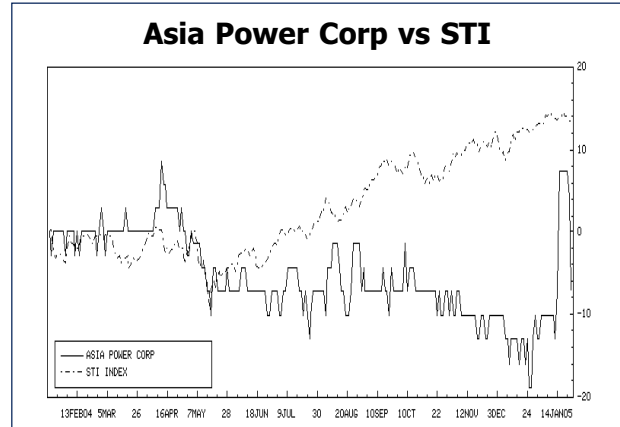
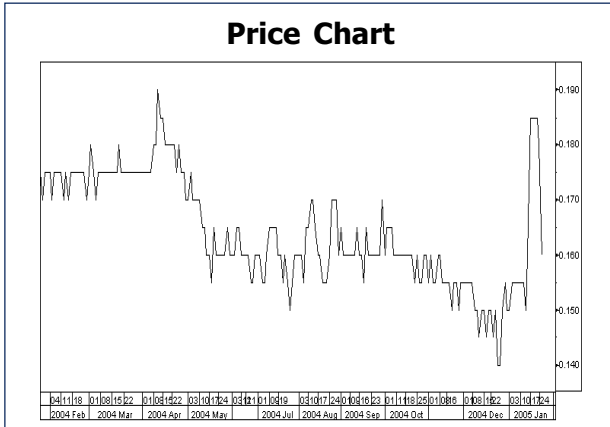
On the placement front, management indicated that the bulk of the placement shares went to institutional funds, including some smaller institutional funds.

Valuation and outlook. API will be releasing its results in late February. Until then, we are holding on to our

existing estimates of net profits of S\$5.4m for FY04 and S\$5.9m for FY05.

Our last update on API was in late December 2004. The stock has since moved from 14 cents (in late December) to close to our fair value of 19 cents as the recent high was 18.5 cents. However, following today's share placement, the share price has corrected to about 16 cents currently. At 16 cents, the stock is trading at 9.5x FY04 earnings and 8.6x FY05 earnings. Yield is estimated at about 3.1%.

For the short term, sentiment is likely to be hit by the lower-than-expected placement share price. But over a longer term, with the new shares in the hands of institutional investors and with its profits returning to the old level of more than S\$5m per year, its outlook is looking more positive. With API's undemanding valuations and better-than-peers yield, we are retaining our **OUTPERFORM** rating, but lowering medium term fair value slightly from 19 cents to 18.5 cents to reflect dilution effect.



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