

19 September 2006

Asia Power Corporation Ltd

Not Rated

Found its footing in hydropower plants

S\$0.34

Stock Code:
 Reuters: ASPW.SI
 Bloomberg: API SP
 Event: Company Visit

General Data	
Issued Capital (m)	354
Mkt Cap (S\$m/US\$m)	120/76
Major Shareholders	Global Fin (24.0%)
Free Float (%)	75.0
NAV per share (S\$)	0.185
Historical PER (x)	11.8
Net Dividend Yield (%)	2.6
Daily Vol 3-mth ('000)	205
52Wk High (S\$)	0.400
52Wk Low (S\$)	0.120

Market View	
Consensus EPS (cents)	-
Forward PER (x)	-
Number of "BUY"	-
Number of "HOLD"	-
Number of "SELL"	-

Focus on renewable energy power plants. Recently, we visited several of Asia Power Corporation Ltd's (API) hydropower plants in China. Currently, API holds stakes in 8 power plants, of which 4 are hydropower plants, with a total installed capacity of more than 500 MW. API's focus has in the last one year, with the change in management, shifted to environmentally friendly and renewable energy power plant projects, which explains the emphasis on hydropower plants. Both the Anning River and the Neijiang hydropower plants are already operating with installed capacity of 52MW and 13.5MW, respectively. The Yujiankou plant has an installed capacity of 60MW. Recently, it acquired a 24.9% stake in Shi Yang, which will operate 3 hydropower plants in the Sichuan province. Of this, one plant is likely to come on-stream by the end of the year, with another by end-2007. Management is scouting for more opportunities to invest in either existing or new hydropower plants.

Rights to develop a further 28 hydropower plants. In addition, API has also secured the rights to develop 28 hydropower electricity plants with a total installation capacity of 202 MW in the Yunnan province. Construction for these 28 plants will be spread out over a period of time to reduce the financial strain on the group (a hydropower plant typically requires about a 2-yr construction period). As hydropower plants are fairly effective and significantly cheaper in terms of operating costs, margins are also substantially better rather coal-fired plants.

Strengthening its footing in hydropower plants. Prospects for the group look promising with current high oil and coal prices, and the focus on renewable energy sources offers a good way to both reduce pollution and raw materials costs. Recently, it disposed off its 33.3% stake in Shanghai Witlong Electric, realising net gains of S\$362,000. We view this as part of its effort to concentrate its effort on hydropower plants - which are going to be key earnings drivers in the coming years. Going forward, if API manages to secure more hydropower plants, these assets are likely to gradually appreciate in value as demand for energy in China remains strong and hydropower plants are attractive sources of energy. With the projects API is currently pursuing, the group is likely to see at least a 50% rise in installed capacity in the coming years. We do not have a rating on this stock.

Year to 31 Dec	Turnover (S\$m)	Gross Profit (S\$m)	Net Profit (S\$m)	EPS (cents)	EPS Growth (%)
FY 03	82.9	11.9	2.3	0.7	-
FY 04	85.6	12.0	5.5	1.7	142.7
FY 05	98.1	12.0	10.1	2.9	69.9

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Asia Power Corp Ltd's Key Financial Data

Asia Power Corp Results Year Ended 31 Dec (S\$ m)	1H05 (S\$m)	1H06 (S\$m)	% Chg (YoY)
Turnover	49.2	61.8	26%
Cost of sales	-41.3	-43.1	4%
Gross profit/loss	7.9	18.7	138%
Other operating income	0.5	12.2	>500%
Distribution & admin expenses	-2.8	-5.6	104%
Other operating expenses	-5.9	0.0	nm
Profits from operation	-0.3	25.3	nm
Associates	2.6	3.2	24%
Pre-tax profit	2.1	26.0	>500%
Net profit	2.1	17.0	>500%
EPS (cts)	0.61	4.81	>500%
Gross margin (%)	16.0%	30.3%	
Operating margin (%)	nm	41.0%	
PBT margin (%)	4.2%	42.1%	
PAT margin (%)	4.3%	27.5%	

Plants in operation	Stake	Installed Capacity	Location
Hydro Power Plants			
Sichuan Anning River Energy Development Co Ltd *	30.0%	52MW	Sichuan
Asia Power (Neijiang) Hydroelectricity Co Ltd	60.0%	13.5MW	Sichuan
Chongqing Yujiankou Hydroelectric Co Ltd *	31.6%	60MW	Chongqing
Coal-Fired Power Plant			
Heilongjiang Asiapower Xinbao Heating & Power Co Ltd	51.0%	225MW	Heilongjiang
Peaking Power Plants			
Changzhou Suyuan Electric Power Co (Changzhou Plant)	25.0%	51MW	Jiangsu
Changzhou Suyuan Electric Power Co Ltd (Yangzhou Plant)	25.0%	48MW	Jiangsu
Changzhou Huayuan Electric Power Co Ltd	25.0%	59.6MW	Jiangsu
Hydro Electricity Plants			
Asia Power (LEIBO) Hydroelectric Co Ltd	67.0%	40MW	Sichuan
* Held via a subsidiary			

SHAREHOLDING DECLARATION:

The analyst/analysts who wrote this report holds NIL shares in the above security.

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