

# ASIA PRIVATE EQUITY

## A MONTHLY REPORT ON DIRECT EQUITY INVESTMENT IN ASIA

### REVIEW

### Beaming with Energy

*Three energy plays went public, assuring investors of handsome returns*

A year after Suntech Power Holdings Ltd. ('Suntech Power') went public on NASDAQ, which has firmly established China's alternative energy companies' position on the global stage, three energy plays made their respective debuts on NASDAQ and the Singapore Exchange Ltd. ('SGX'). For investors that have decided to sell or maintain their holdings, China's energy companies seem to be sure winners.

For two of China's solar energy companies, Trina Solar Ltd. and Solarfun Power Holdings Ltd., NASDAQ was the chosen platform. Together, they have raised over US\$237 million through their respective public offering.

The Jiangsu-based Trina Solar is an integrated manufacturer of solar power products. Half a year before it went public, it received US\$21 million from two financial investor groups. In May 2006, Merrill Lynch invested US\$10 million for a 8.57% stake. The Wall Street investment banking house was joined by **Milestone Capital Management**, which is affiliated with the Hong Kong-based independent fund management firm, **GEMS**.

Through two separate investment vehicles, Milestone Capital Management has committed US\$11 million. The Cayman Islands company is controlled by a board of directors, among which is Mr Simon Murray, chairman of GEMS, as well as Mr Hamilton Ty Tang, a partner at GEMS.

Trina Solar offered 5.3 million American Depository Shares ('ADS') at US\$18.50 each. Each ADS equates to 100 ordinary shares. On its first day of trading, its ADS price touched a high of US\$26. Both Merrill Lynch and Milestone Capital Management did not dispose of their holdings. Based on the offer price of US\$18.50 ADS per 100 common shares, the financial investors' holdings represent a 2.5 multiple to their entry price. At the time of taking a stake in Trina Solar, all investors paid US\$0.0732857 for the energy company's common shares.

Three weeks after Trina Solar went public, Solarfun Power Holdings, another Jiangsu province-based solar company, joined the growing list of alternative energy companies and made its debut on NASDAQ.

A maker of both photovoltaic cells and modules, Solarfun Power also received funds from its investors six months prior to going public. In June 2006, **Citigroup Venture Capital International** teamed up with **Hony Capital** and **Legend Capital** in committing a total of US\$43.45 million to Solarfun Power. While Citigroup Venture Capital International has sold 16.8% of its holdings, the private equity investment arms of Legend Holdings, Hony Capital and Legend Capital, have decided to keep their respective holdings. Citigroup Venture Capital International's partial divestment has returned US\$16.65 million to its coffers. Based on the offer price, the remaining

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shares held by the private equity firm would equate to US\$83 million. If realised, it would represent a near 4-fold return.

The private equity firm that is looking forward to exhilarating multiples for its investment in a China energy company is the Singapore-based **UOB Venture Management Pte Ltd** (**UOBVM**). In December 2005, through the ASEAN China Investment Fund, UOBVM invested US\$7.5 million for a 9.5% stake in China Energy Limited ('China Energy') which went public on SGX on 21st December.

The Shandong-based energy company is believed to be the largest producer of Dimethyl Ether in the country. It offered its shares to the public at S\$0.83 (US\$0.54) each. UOBVM has decided not to sell its China Energy's shares. Its stake is valued at S\$78.85 million, representing more than 6.6 times the initial investment amount.

Although investors are keen to purchase alternative energy stock, there are signs of investors fatigue for this kind of shares. The listing performances of two of the three recently-listed alternative energy companies was a far cry from that attained by Suntech Power. In December 2005, when Suntech Power debuted on NASDAQ as the first China solar energy company, its share price soared by 41.3%. While Trina Solar's first day trading price soared by more than 42%, that for Solarfun Power in fact plunged by 20.3%. China Energy also registered a modest gain of 13% only (fig. 26). ■

### Beaming with Energy

	Investment		Realisation		Residual Values	Offer Price	Debut Price <sup>(1)</sup>
	Date	Amount	Date	Amount			
Trina Solar							
Milestone Capital	May 06	11.0	Dec 06	N/A	27.8	US\$18.50 per ADS	US\$20.28 per ADS
Merill Lynch	May 06	10.0	Dec 06	N/A	25.2		
Solarfun Power							
Citigroup VC Int'l	Jun 06	26.7	Dec 06	16.7	82.9	US\$12.50 per ADS	US\$9.96 per ADS
Hony Capital	Jun 06	9.4	Dec 06	5.9	29.3		
Legend Capital	Jun 06	7.1	Dec 06	N/A	26.3		
China Energy							
UOB Venture Management	Dec 05	7.5	Dec 06	N/A	S\$78.9m	S\$0.83	S\$0.94

Except as indicated, all amounts shown are in US\$ m

Milestone Capital = Milestone Capital Management Citigroup VC Int'l = Citigroup Venture Capital International

<sup>(1)</sup> first day trading closing price <sup>(2)</sup> the investment was made through the ASEAN China Investment Fund

Fig. 26 Source: Asia Private Equity Review