

Gallant Venture to sell shares at 94 times earnings

High PE ratio arises from injection of land in Bintan which firm will sell

BY BRYAN LEE

INVESTMENT holding company Gallant Venture is selling its shares at 94 times historical earnings, making the initial public offer (IPO) one of the most expensive here in recent years.

The eye-popping price-earnings (PE) ratio, based on its performance in 2004, brings to mind dot.com valuations of the late 1990s.

Gallant, which owns utility, resort and industrial park businesses in Bintan and Batam, is expected to make its Sesdaq debut in a month, according to a prospectus filed last Friday with the Monetary Authority of Singapore.

In connection with the upcoming listing, substantial owner Parallax Venture Partners

XXX, which recently became a unit of the Salim Group, is selling 280 million Gallant shares at 50 cents apiece to institutional investors.

Another Salim group unit is also transferring another 25 million shares to creditors and shareholders of mainboard-listed Alliance Technology and Development. This is part of a share swap to ensure Gallant has enough minority shareholders to fulfil listing requirements.

The placements will pare the Salim Group's effective interest in Gallant to 51 per cent from 63 per cent. Gallant's next largest shareholder is SembCorp Industries, which exchanged industrial park and resort assets for a 27 per cent stake.

Gallant reported a profit of \$12.7 million in 2004, or earnings per share of 0.53 cent. Net asset value per share was 49 cents as at June 30.

Chief financial officer Alvin Choo said that the high PE ratio arose largely from the injection of \$541 million worth of land assets in Bintan into the firm.

The assets, consisting of 18,200ha to be sold mostly to re-

sort and industrial park developers, were paid for with new Gallant shares.

As a result, the firm's enlarged share capital coupled with the absence of earnings from these assets resulted in the exceptionally low earnings per share and high PE ratio, he said.

But these assets are expected to drive the firm's growth, on top of its healthy utilities and industrial park businesses.

Chief executive Eugene Park said the firm will start selling the land in smaller plots to boost demand.

Separately, Sesdaq-bound Natural Cool Holdings said a recovering property market here and more upgrading of public housing will boost demand for residential air-conditioning.

It noted also that air-conditioners are fast shedding their luxury item status here.

The Singapore-based air-conditioning firm is also looking to tap the Chinese and Indian markets to boost growth.

At 20 cents apiece, its shares are priced at five times its earnings in 2004.

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