

# smartinvestor

SINGAPORE EDITION | JULY 2008

S\$5.50 (incl. GST)

market intelligence  
feature

Lagoi Bay

## REINVENTING BINTAN

GALLANT VENTURE EXPANDS ITS PROPERTY DEVELOPMENT MASTER PLAN FOR BINTAN, INDONESIA WITH THE LAUNCH OF LAGOI BAY DEVELOPMENT. BY MILLET ENRIQUEZ



“If you build, they will come” might sound like a worn-out cliché, but for the case of Gallant Venture Ltd’s development initiatives in Bintan, Indonesia, it is such an apt phrase. The group has successfully built the foundations of Bintan Resorts and reaped its rewards. It hopes to achieve the same feat as it opens to investors a new facet of the island with Lagoi Bay Development.

Established in 1990, Gallant Venture is an investment holding company with several subsidiaries and businesses which includes providing electricity, telecommunication and water supply to the islands of Bintan and Batam in Indonesia. It also leases spaces in industrial parks and operates transportation services and a wide range of amenity services for Bintan Resorts.

Two of Gallant Venture’s notable projects are Batamindo Industrial Park and Bintan Industrial Estate. Its utilities business, on the other hand, generate about 160 megawatts of power and 27,000 cubic metres of water.

The company’s landbanking business consists of about 20,000 hectares, which is roughly one-third the size of Singapore. What it does is take a big piece of land, build the infrastructure – power lines, water and telecommunication – then sub-divide the land and sell it to developers. Gallant Venture boasts of a strong shareholder group which includes Sembcorp, Ascendas, UOB and Parallax. With an as-

set size of about \$1.5 billion, Gallant Venture’s four areas of businesses generate an annual \$250 million in revenue.

Just recently, PT Bintan Resort Cakrawala, the master developer of Bintan Resorts and subsidiary of Gallant Venture, has opened for investment its new project in Lagoi Bay at Bintan. The area, which is less than an hour’s ferry ride from Singapore, sits at a sprawling 1,300 hectares of land and is set for a planned resort development including hotels, boutiques, restaurants residences and spa, among other things.

OCBC Investment Research has issued a “buy” rating for the company in a May 29 report given the potential of its landbanking prospects in Bintan. It projected the value of the group’s 18, 201 hectares of landbank to be about five to 70 times its cost once sold to hotel developers.

“With catalysts such as infrastructural enhancements, Sentosa’s integrated resorts, and a possible casino in Bintan, we anticipate an appreciation in the value of Gallant’s landbank,” the report said.

Furthermore, Gallant’s three other core businesses – which include leasing industrial parks, providing water and electricity services to Bintan Resorts and resort operation and ferry services – put it in a strong earnings position.



# smartinvestor

SINGAPORE EDITION | JULY 2008

S\$5.50 (incl. GST)

market intelligence  
feature

Mr Eugene Park, chief executive officer of Gallant Venture



Gallant's steady growth is apparent in its first quarter 2008 financial performance, with a 2.1 per cent increase in the company's revenue from \$54.5 million in first quarter 2007 to \$55.7 million. Its gross profit margin also grew from \$14.4 million to \$15.1 million quarter-on-quarter, representing a 4.7 per cent increase. For financial year 2007, the group posted \$234.3 million revenue from its four lines of business. The utilities division contributed the highest with revenue of \$137.2 million, while the industrial parks segment recorded \$56.7 million. About \$26.5 million was posted by the resort operations and \$13.9 million for property development.

## BRIDGING THE GAP

Lagoi Bay, which is the latest in Gallant Venture's wide portfolio of property development, is seen to be Asia's first and largest master plan beach resort. At the ground breaking ceremony held in May, the company highlighted its goal to further expand its appeal to Singapore and the rest of Asia.

"We want to maintain and improve our position as a real alternative

to Bali and Phuket as a destination of choice for the beach tourist," said Gallant's chief executive officer Mr Eugene Park, further underlining the company's stable position to drive development in Bintan.

Bintan Resorts currently attracts 350,000 visitors annually. About 30 per cent of which comes from Singapore, while the others are from Japan and Korea, and domestic travelers from Indonesia, foreign visitors from Australia and other parts of Asia.

With the growing affluence of people in the region, Gallant sees the numbers of visitors in the island to increase to a million by 2012. For the first quarter of 2008, visitor arrival in Bintan has already grown by 18 per cent. And hotel bookings have so far indicated that things will continue to be positive this year.

As Singapore further grows its tourist arrivals, the management also sees the benefits it will bring to tourism in Indonesia, particularly in Bintan. Lagoi Bay is poised to cater to this growth. The logic is to build supply ahead of the demand.

The development is positioned not only to be a tropical island getaway for visitors, but to also provide good returns for its investors. Lagoi Bay offers a variety of investment opportunities for hotel developers, retail establishments and even for home buyers.

**"We want to maintain and improve our position as a real alternative to Bali and Phuket as a destination of choice for the beach tourist,"**

**MR EUGENE PARK, CHIEF EXECUTIVE OFFICER OF GALLANT VENTURE.**

For one, the Aranya Lagoi Residences offers 246 plots, which can be developed by individual investors for housing. About 50 plots ranging from 800 to 2,000 square metres have already been released.

Mr Park notes that many affluent Asians now have disposable incomes that afford them the purchase of second homes, which are typically used for vacation or retirement.

"We hope to grab a significant share of this affluence," he said. Singaporeans who are looking for an alternative to expensive urban living could also look at Bintan as an option.

Gallant Venture intends to invest heavily in developing infrastructure and providing amenities to accommodate the influx of tourists. Over the next four years, the group will spend \$150 million to build infrastructure in Lagoi Bay, another \$150 million to build a 900-mega-watt power plant and about \$75 million to build a new airport.

The company's plan also includes the purchase of faster ferries and further expansion of its ferry terminal business.

So far, the development at Lagoi Bay has already attracted new investments of approximately \$45 million for close to 30,000 hectares of land for resort development, private residential villas and retail and recreation projects. And about 300 hectares with an approximate value of \$400 million were already in discussion and negotiation during the launch. **SI**

