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Analysts lower listing price of Sing Tao stock

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The Sing Tao publishing empire's reincarnation as a listed public company in Hongkong will be at an issue price below initial expectations, according to market sources.

They told Business News that when the offer document is released on Monday, it will carry a price per share of \$1.80, compared with analysts' forecasts last month of nearer \$2.

The 60 million shares would thus gross \$108 million, rather than the \$120 million initially forecast.

And the price/earnings ratio will be 7.9, also a lower figure than some projected when initial plans for the listing were announced early last month.

Those projections, however, reflected the firm's taxed earnings of \$34.3 million in its last reported financial year.

The draft prospectus for the new flotation, in contrast, says profit in the current financial year, which ends this March 31, will be not less than \$44 million, a 28.3 per cent improvement.

The profits figure works out to weighted average earnings per share of 22.7 cents according to the draft documents; sources said.

They said a dividend yield of not less than eight per cent is projected in the next financial year ending March 31, 1987.

The documents indicate that figure is based on the expectation profit that financial year will at least match the \$44 million minimum predicted for this year.

Net tangible asset value is given as \$1.62 a share, the sources said. That would suggest total net tangible assets of somewhat less than \$400 million if the individual figure was simply multiplied by the total 240 million shares that will be in issue after the flotation.

The 60-million shares to be sold next week, 25 per cent of the enlarged share capital, include 48 million new shares and 12 million existing shares.

The issue should thus bring \$86.4 million in fresh capital to Sing Tao before deducting flotation expenses.

Reaction to the relisting of

Sing Tao was cool among some analysts when plans initially surfaced early last month.

Some raised questions about the fact that the company had only left the local boards last year, in a major reorganisation of Miss Sally Aw's assets and a shift of her base to Australia.

Also open to varying judgments are prospects for returns from the Canton Road development site in Tsimshatsui.

Sing Tao's share in that site would appear to be its major new asset, but thus far a non-revenue generating one.

Building is yet to be done of a projected commercial and hotel complex, so views of the firm's long-term outlook partially depend on expectations for the Hongkong property and hotel markets.

Otherwise, the recycled firm continues to be primarily a newspaper and publishing operation which includes the Chinese paper of the same name, the English-language Standard, and printing operations overseas, sources say.

The lower than expected issue price could reflect a desire to offset the initial less than enthusiastic response to the relisting announcement.

It could also be an adjustment to the change in general market mood since the announcement was made.

At that time the Hang Seng index was on the crest of the bullish wave that had taken it to new highs. It has subsequently failed to sustain those levels, and market turnover has faded.

Yesterday, some analysts questioned whether the lower pricing was enough to counter the negative factors and bring a healthy oversubscription next week.

Meanwhile, reports from Australia said the flotation is expected to bring a special dividend of 80 Australian cents (about HK\$4.35) a share to shareholders in Miss Aw's Ce-reus Australia Ltd, of which Sing Tao is a subsidiary.

According to a *Sydney Morning Herald* report, Miss Aw's personal take from such a dividend would be just under A\$1 million.