

Analyst: Paul Sham

## Main Board Listing – Research

金邦達寶嘉控股有限公司

Goldpac Group Limited [Stock Code:03315]
**Joint Sponsors** : BOCI, Shenyin Wanguo

**Sole Global Coordinator, Bookrunner and Lead Manager** : BOCI

**Sector** : Technology Hardware & Equipment

**Business** : Manufacturing of financial cards

**Total share offer:** \*200,000,000 shares  
(25.0% of the enlarged share capital)

**Public Offer:** 20,000,000 shares (10.0%)

**Placing:** 180,000,000 shares (90.0%)

**Greenshoe:** 30,000,000 shares

\*All 200,000,000 shares are New Shares

**Price:** HK\$4.52 – HK\$5.67 per share

**Market Cap:**

HK\$3,616 million – HK\$4,536 million

**Historical fully diluted FY12 P/E:** 24.5x - 30.7x

**Adjusted NTA per share:** HK\$1.67 – HK\$1.95

**Staffing:** 1,446 (as of 30<sup>th</sup> June 2013)

**HK Public Offer period:**

22<sup>nd</sup> November 2013 – 27<sup>th</sup> November 2013

**Receiving bank:**

Bank of China (Hong Kong)

**Share Registrar:**

Tricor Investor Services Limited.

**Listing date:** 4<sup>th</sup> December 2013

### **Business of Goldpac Group Limited/“Goldpac” or “the Company”**

Goldpac was the largest provider of financial cards in terms of sales value and the third largest in term of sales volume for the year ended 31<sup>st</sup> December 2012 in Greater China. Goldpac is also one of the leaders in card personalisation services and the largest card personalisation services provider in terms of both sales value and sales volume for the year ended 31<sup>st</sup> December 2012 in Greater China. In addition, the Company is a major provider of on-site card issuance system solutions with a market share of 23.6% in terms of sales value during the same period.

Goldpac was the only financial card manufacturer and the only card personalisation services provider in the PRC certified by all six of the leading worldwide payment card organisations (Visa, MasterCard, American Express, UnionPay, JCB and Diners Club). The financial cards that Goldpac produces and personalises are used in a variety of manners, including debit cards, credit cards, charge cards and social insurance cards.

### **Shareholders after Listing**

GIHL (Hong Kong) – wholly owned by Mr. Lu Run Ting, the Chairman and an Executive Director of Goldpac	44.60%
GISA (Luxembourg) – wholly owned by Gemalto (The Netherlands), whose shares are listed and traded on NYSE Euronext Amsterdam and NYSE Euronext Paris. Gemalto is principally engaged in the provision of digital security solution.	19.12%
BOCI Investment (Hong Kong) – wholly owned by BOC (PRC)	11.28%
Public shareholders	25.00%
	<u>100%</u>

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### Use of Proceeds

Net proceeds from the offer are estimated to be HK\$950.7 million (based on an offer price of HK\$5.10, being the mid-point of indicative price range).

	HK\$ million
For the research and development of new products and services including purchases of materials, consulting fees, product testing fees, purchases of equipment and staff salaries	332.7
For the expansion of production facilities, upgrades and other improvements to its existing card production and personalization service facilities	332.7
For the finance of future strategic alliances with complementary companies by way of either joint ventures or acquisitions	95.1
For further strengthen its presence in the existing markets outside of the PRC	95.1
For working capital and other general corporate purposes	95.1

### Financial Highlights

	Year ended 31 <sup>st</sup> December			6 months ended 30 <sup>th</sup> June	
(RMB'000)	2010	2011	2012	2012	2013
Turnover	357,156	444,255	676,609	275,735	540,373
Gross profit	127,075	146,000	203,388	91,564	155,910
Attributable profit	53,416	48,082	115,113	43,046	81,125
Gross margin	35.6%	32.9%	30.1%	33.2%	28.9%
Net profit margin	15.0%	10.8%	17.0%	15.6%	15.0%

### Breakdown of revenue in terms of products

	Year ended 31 <sup>st</sup> December						6 months ended 30 <sup>th</sup> June			
(RMB'000)	2010		2011		2012		2012		2013	
		%		%		%		%		%
Magnetic strip cards and smart cards	274,753	76.9%	311,878	70.2%	499,227	73.8%	187,877	68.1%	435,763	80.6%
Personalisation service	52,924	14.8%	69,950	15.7%	81,859	12.1%	37,954	13.8%	55,660	10.3%
On-site card issuance system solutions	29,479	8.3%	62,427	14.1%	95,523	14.1%	49,904	18.1%	48,950	9.1%
Total	357,156	100.0%	444,255	100.0%	676,609	100.0%	275,735	100.0%	540,373	100.0%

### Breakdown of revenue in terms of geographical segments

	Year ended 31 <sup>st</sup> December						6 months ended 30 <sup>th</sup> June			
(RMB'000)	2010		2011		2012		2012		2013	
		%		%		%		%		%
PRC	309,825	86.7%	397,430	89.5%	602,234	89.0%	250,995	91.0%	508,779	94.2%
HK & Macau	42,950	12.0%	37,710	8.5%	64,259	9.5%	19,117	6.9%	29,275	5.4%
Philippines	2,766	0.8%	6,353	1.4%	6,436	1.0%	3,325	1.2%	1,610	0.3%
Mongolia	632	0.2%	1,671	0.4%	1,827	0.3%	646	0.2%	509	0.1%
Other countries	983	0.3%	1,091	0.2%	1,853	0.3%	1,652	0.6%	200	0.0%
Total	357,156	100.0%	444,255	100.0%	676,609	100.0%	275,735	100.0%	540,373	100.0%

**Strengths/Opportunities**

- ✓ In the year ended 31<sup>st</sup> December 2012, Goldpac was the largest financial card supplier in the Greater China market by sale volume (19.2% of total market share). The top five financial card suppliers accounted for about 68.4% of the total sales value during the same period and the difference between the market share among the top three suppliers was not significant. This kind of market is described as an oligopoly, which is characterized by reduced competition and higher entry barriers. Thanks to the favourable market structure, the net profit margin of Goldpac could be maintained at a relatively high level of 10% to 17% in the past three years.
- ✓ In terms of sales value, the Greater China financial card market experienced a strong growth from RMB665.2 million in 2008 to approximately RMB2.4 billion in 2012, representing a CAGR of 37.5%. Such growth is expected to continue, mainly driven by the migration to smart cards, which are expected to have a higher average price (compared with the old magnetic strip cards). Consequently, the sales value of the Greater China financial card market is estimated to grow from RMB3.8 billion in 2013 to RMB10.9 billion in 2017, with a CAGR of 30.1%.
- ✓ BOC, being one of the major issuer of financial cards in the PRC, subscribed for 15.04% issued share capital of Goldpac in July 2013. The share subscription by BOC reflects Goldpac possesses considerable investment value, even from the viewpoint of the corporate with the industry.

**Weaknesses/Threats**

- × Goldpac faces competition from new payment technologies, such as mobile phone-based payment systems utilising NFC (near field communication) technology, which could reduce the demand for financial cards as a payment method.
- × There is no direct comparable for Goldpac in Hong Kong stock market. Nevertheless, Goldpac's FY12 P/E ratios of 24.5x to 30.7x do not sound particularly attractive, compared with the P/E of 11.5x ratio for Hang Seng Index.

**Recommendation: Unattractive**

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