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HONG KONG RESEARCH
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Analyst: Sabina Cheng

Main Board Listing – Research

紛美包裝有限公司
Greatview Aseptic Packaging Company Limited [Stock Code:00468]

Joint Sponsors, Global Coordinators, Bookrunners and Lead Managers : Goldman Sachs (Asia) Morgan Stanley Asia

Sector : Materials
Business : Leading suppliers of aseptic packaging material

Total share offer: *333,400,000* shares
(25% of the enlarged share capital)
(including 233,600,000 New shares and 99,800,000 Sales shares)

Public Offer: *33,340,000* shares (10%)
Placing: *300,060,000* shares (90%)
Greenshoe: *50,010,000* shares

Price: HK$3.55– HK$4.98 per share

Market Capitalisation:

HK$4,734 million – HK$6,641 million

Net profit estimate for FY2010:
Not less than RMB198 million (HK$231 million)

Adjusted NTA per share:

HK$0.97 – HK$1.21

Staffing: 712 (as of 30th June 2010)

HK Public Offer period:
26th November 2010 – 1st December 2010 noon

Receiving bankers:
HSBC
DBS Bank (Hong Kong)

Share registrar:
Tricor Investor Services

Listing date: 9th December 2010

Business of Greatview Aseptic ("Greatview" or "the Company")

Greatview Aseptic is one of a few integrated providers of aseptic packaging and related services globally (including France, Germany and Russia), as well as the leading alternative supplier in the PRC based on sales volume. The Company had an estimated 9.6% of the PRC aseptic packaging market by sales volume in 2009. Besides, it was the second largest roll-fed supplier of aseptic packaging globally, with an estimated market share of 1.5% by volume in 2009.

The Company provides customized, high-quality and competitively priced aseptic packs that are fully compatible with standard roll-fed filling machines to leading dairy and non-carbonated soft drink ("NCSD") producers. Additionally, the Company also provides a range of support services with respect to standard roll-fed filling machines, including training and on-site technical assistance, as well as spare parts. The Company's aseptic packs are sold using the trade name Tralin Pak (in carton form under the name "Tralin Brick" and in soft pouch form under the name "Tralin Pilo").

The Company has two facilities, one in Gaotang (高唐), Shandong province (comprising two separately housed production factories totalling approximately 51,744 square meters), and the other in Helingeer (和林格爾), Inner Mongolia (totalling about 66,667 square meters).

Shareholders after Listing (Assuming that the over-allotment option, all options granted under the pre-IPO shares option scheme and all options which may be granted under the share option scheme are not exercised)

Bain Capital TP	31.6%
CDH Packaging, wholly-owned by CDH China Growth Capital Fund II, L.P. (focusing on making private equity investments in China)	23.9%
Wiseland – owned as to: - *58.1% by Foxing, wholly owned by Mr. Bi Hua, Jeff (CEO of the Company) and Mr. Gao Wei (brother of Mr. Bi Hua, Jeff) through B&G Trust* - *41.9% by Fosing, wholly owned by Mr. Hong Gang and Mr. Gao Wei (for the benefit of senior management and their respective spouses and children of the Company) through one of the discretionary trusts ("SM Trusts")*	9.7%
Phanron, wholly owned by Mr. Hong Gang (the Company's Chairman)	5.8%
Parview Development, wholly owned by the SM Trusts	0.8%
J. Schwartz, wholly owned by Mr. BERGGREN Peder Gustav (The Company's International Business Director)	0.8%
Goldmap, wholly owned by Mr. Chang Fuquan (the Company's CFO)	0.8%
Hillma Global, wholly owned by Mr. Chen Weishu (independent non-executive Director of the Company)	0.8%
Wallson Investments, wholly owned by Mr. Yang Jiuxian (The Company's Sales Director)	0.8%
Public shareholders	25.0%
	100.0%

Use of Proceeds

Net proceeds from the offer are estimated to be HK$895.0 million *(based on an offer price of HK$4.265, being the mid-point of the indicative price range and assuming the over-allotment option is not exercised).*

	HK$ million
For domestic capacity expansion	358.0
For the Company's European expansion (including construction and outfitting of the Company's new factory in Germany)	179.0
For the repayment of the Company's bank borrowings	268.5
For potential future acquisitions of related businesses	89.5

Financial Highlights

	Year ended 31st Dec			**6 months ended**	
	2007	**2008**	**2009**	**30th June 2009**	**30th June 2010**
	(RMB' 000)				
Revenue	380,388	524,968	771,870	378,723	503,226
Gross profit	91,807	134,372	268,657	131,837	165,699
Operating profit (EBIT)	58,568	80,654	189,165	100,779	123,554
Profit attributable to shareholders	**56,058**	**87,759**	**164,908**	**87,306**	**109,306**
Gross profit margin	*24.1%*	*25.6%*	*34.8%*	*34.8%*	*32.9%*
EBIT margin	*15.4%*	*15.4%*	*24.5%*	*26.6%*	*24.6%*
Net profit margin	*14.7%*	*16.7%*	*21.4%*	*23.1%*	*21.7%*
	31/12/07	**31/12/08**	**31/12/09**	**30/6/09**	**30/6/10**
Debt-to-equity ratio	N/A	11%	14%	N/A	13%

Breakdown of revenue

	FY2007		**FY2008**		**FY2009**		**6MFY2009**		**6MFY2010**	
	RMB' 000	%	RMB' 000	%	RMB' 000	%	RMB' 000	%	RMB '000	%
Dairy	244,175	64.2%	339,363	64.6%	515,409	66.8%	242,798	64.1%	375,850	74.7%
Non-carbonated soft drink (*)	136,213	35.8%	185,605	35.4%	256,461	33.2%	135,925	35.9%	127,376	25.3%
Total	**380,388**	**100.0%**	**524,968**	**100.0%**	**771,870**	**100.0%**	**378,723**	**100.0%**	**503,226**	**100.0%**

Remarks: (*) non-carbonated soft drinks include bottled water, fruit and vegetable juice drinks, ready-to-drink tea, ready-to-drink coffee, other still drinks, and functional drinks.

Peer valuation comparison

	Greatview Aseptic (00468)		Average Chinese Packaging Companies (*)		Average PER of China Food & Beverage Companies (^)	
	2010	2011	2010(^)	2011(^)	2010(^)	2011(^)
P/E ratio	20.5x – 28.8x	N.A.	19.5x	16.7x	31.6x	24.7x
EBIT margin	24.6% (6M2010)		15.6%	14.5%	13.4%	13.7%

Source: Reuters
Remarks: (*) including Nine Dragons (02689), Lee & Man (02314) and CPMC (00906), and (^) China Agri Industries (00606), China Foods (00506) China Huiyuan (01886), China Mengniu (02319), CRE (00291), Huabao (00336), Tingyi (00322),Tsingdao Brewery (00168) and Want Want (00151), and (^) as of 10 November 2010

Strengths/Opportunities

✓ According to Frost & Sullivan, China's aseptic packaging market is believed to have a compound annual growth rate (CAGR) of 14.1% in 2009-2015 (with sales volume surging from 38.2 billion packs in 2009 to 84.1 billion packs in 2015), amid growth in dairy and non-carbonated soft drink consumption resulting from higher income and improving living standards.

✓ The Company's sales volume is expected to jump from 3.8 billion packs in 2009 to 11.9 billion packs in 2012, representing a CAGR of 46.3% over the same period, benefiting from high industry entry barriers and the Company's competitive pricing strategy. In 2009, Greatview had China market share of just 9.6% (the second largest supplier in terms of sales volume), against the market leader, Tetra Pak's 70.2%, implying there should be room for the Company to gain its market share in the PRC.

✓ Apart from the PRC market, the Company also plans to have sale penetration into its international markets. It will invest RMB294 million in 2011 for a plant construction in Europe. This may help diversify the Company's income stream in the medium term, as international sales accounted for just 7.5% of the Company's total revenue for 6M2010.

Weaknesses/Threats

× Currently, Greatview can produce aseptic packs that are compatible with the standard roll-fed filling machines used by the market leader, Tetra Pak (who had market share of 79.7% globally and 70.2% in the PRC by sales volume in 2009). Nevertheless, Greatview may need to address production compatibility issues should Tetra Pak change the roll-fed filling machines or launch new models.

× The Company's top five customers accounted for over 70% of the Company's total revenue in 2009. It is believed that Greatview's customer concentration level will not have significant change given increasing market concentration in the Chinese dairy sector. The Company's earnings would likely to have a significant impact should there be any loss of its major customers.

× The Company's gross profit margin (GPM) improved to 34.8% in 2009 from 25.6% in 2008, thanks to lower raw material costs (mostly polyethylene price). However, such GPM improvement failed to sustain in 1H2010 (at 32.9% only) on a strong rebound in polyethylene price. With the average selling price which is expected to remain stable in 2011-2012, the Company's GPM is likely to be under pressure should there be any sharp increase in its input costs (particularly in costs of raw materials which accounted for nearly 90% of the Company's cost of sales in 2009).

Recommendation: Trading Buy

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