

Analyst: Sabina Cheng

Main Board Listing – Research

錦勝集團（控股）有限公司

Come Sure Group (Holdings) Limited [Stock Code: 00794]

Global Co-ordinator, Sole Bookrunner, Lead Manager and Sponsor : Kingsway Group

Sector : Materials

Business : The Group manufactures and sells corrugated paperboards and paper-based packaging products to manufacturers with production base in the PRC

<p>Total share offer: <u>70,000,000</u> shares (25% of the enlarged share capital)</p> <p>Public Offer: 7,000,000 shares (10%)</p> <p>Placing: 63,000,000 shares (90%)</p>	<p><u>Business of Come Sure Group (“the Group”)</u></p> <p>The Group began the manufacturing and sale of corrugated cartons in 1989 and corrugated paperboards in 1992.</p> <p>On production front, the Group has established Three Production Plants in Shenzhen in the PRC with an aggregate annual production capacity of approximately 284 million sq.m. of corrugated paperboards and approximately 250 million pieces of corrugated cartons.</p> <p>On customer front, the Group has more than 250 customers in various industries in Guangdong, including electronic and electrical appliances, garment, furniture, food and beverages, toys, medicine as well as audio and video products, and their manufacturing arm or OEM who use the Group’s products for packaging purposes. Customers of international brands such as Philips in electronic appliances, audio and video products industry, Jinlongyu in food and beverages industry.</p> <p>Major suppliers of the Group include, Nine Dragons Paper (Holdings) and Lee & Man Manufacturing.</p>
<p>Price: HK\$1.01 – HK\$1.31 per share</p> <p>Market Cap: HK\$282.8 million– HK\$366.8 million</p> <p>Pro forma FY2008E PER: 4.6X – 6.0X</p> <p>Adjusted NTA per share: HK\$1.21 – HK\$1.28</p> <p>Staffing: 552 (as of 9th February 2009)</p>	
<p>HK Public Offer period: 16th February 2009 – 19th February 2009</p> <p>Receiving banker of the Public Offer: Standard Chartered Bank (Hong Kong) Limited</p> <p>Principal share registrar and transfer agent: Appleby Trust (Cayman) Limited</p> <p>Hong Kong branch share registrar and transfer office: Tricor Investor Services Limited</p> <p>Listing date: 26th February 2009</p>	

This report has been prepared solely for information purposes and we are not soliciting any action based upon it. Neither this document nor its contents shall be construed as an offer, invitation, advertisement, inducement or representation of any kind or form whatsoever. The information is based upon information, which we consider reliable, but accuracy or completeness is not guaranteed. Opinions expressed herein are subject to change without notice. At time of this report, East Asia Securities Company Limited has no position in securities of the company or companies mentioned herein, while its group companies may from time to time have interests in securities of the company or companies mentioned herein.

**Shareholding Structure after Listing** (Assuming the over-allotment option is not exercised)

Perfect Group Version Limited - a company wholly owned by Jade City Assets Limited, which is in turn held by HSBC International Trustee Limited acting as the trustee of the CHONG Family Trust. The beneficiaries of the CHONG Family Trust include Mr. Chong Kam Chau (the President of the Group and Chairman of the Board), Ms. Chan Po Ting (the spouse of Mr. Chong) and the three sons of Mr. Chong – Mr. Chong Wa Pan, Mr. Chong Wa Ching and Mr. Chong Wa Lam.	75%
Mr. Zhang Cheng Fei - the executive director and deputy chief executive officer of Nine Dragons Paper (Holdings) Limited	5%
Mr. Lee Man Chun, Raymond - the executive director and chief executive officer of Lee and Man Paper Manufacturing Limited	2.5%
Other Public Shareholders	17.5%
	100%

Use of Proceeds

Net proceeds from the offer are estimated to be HK\$61 million (Assuming an offer price of HK\$1.16, being the mid-point of the indicative offer price range, and the over-allotment option is not exercised)

	HK\$ million
For the expansion of the existing production facilities	5
For the establishment of a new production plant in Huidong	49
For the employment and training of new staff and purchase of new equipment in order to strengthen the Group's research and development capability	1
For general working capital	6

Financial Highlights

	Year ended 31 st March			6 months ended 30 th September	
	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000
Revenue	574,871	643,198	665,667	333,134	392,183
Gross profit	108,578	125,358	140,930	61,912	79,384
Operating profit	55,064	62,475	74,044	32,971	43,702
Net profit	46,005	49,292	61,295	26,243	37,883
Attributable profit	46,005	49,292	61,295	26,243	37,883
Gross margin	18.9%	19.5%	21.2%	18.6%	20.2%
Operating margin	9.6%	9.7%	11.1%	9.9%	11.1%
Net margin	8.0%	7.7%	9.2%	7.9%	9.7%

Revenue Breakdown (% of Total Revenues)

	Year ended 31 March						Six months ended 30 th September	
	2006		2007		2008		2008	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Corrugated paperboards	251,723	43.8	271,198	42.2	325,311	48.9	162,125	41.3
Paper-based packaging products	307,627	53.5	355,412	55.2	324,390	48.7	220,683	56.3
Substandard paperboards and scraps	15,521	2.7	16,588	2.6	15,966	2.4	9,375	2.5
Total	574,871	100	643,198	100	665,667	100	392,182	100



Strengths/Opportunities

- ✓ **Operation performance is fairly good and with ongoing expansion plan** The Groups' operation performance is fairly good as the gross margin, operating margin and net margin have been edging up at a reasonable pace. Also, over 80% of the proceed will be used for the establishment of a new production plant in Huidong, indicating that the company is determined to expand further at lower costs during the economic downturn.

Weaknesses/Threats

- × **Reliance on major suppliers** The five largest suppliers of the Group, including Nine Dragons Group and Lee & Man Group accounted for about 64.4%, 67.7%, 76.5% of the total cost of goods sold of the Group in the FY2006, FY2007 and FY2008. Meanwhile, it is reported that among the biggest containerboard suppliers in the PRC, Nine Dragons Paper (Holdings) and Lee & Man Manufacturing, have 30%-40% of the market share, suggesting downstream customers like Come Sure has limited bargaining power.
- × **Substantial businesses in Guangdong Province, which are vulnerable due to weak demand** It was reported that the company recorded weak turnover year on year in November in 2008 on shrinking orders and lower selling prices following the global financial crisis.
- × **Valuation** Shares of Come Sure is expected to be traded between 2008 PER of 4.6X – 6.0X, which seems demanding when comparing to Hop Fung Group (#02320), which is of similar business and market capitalization and is now trading only at around 2.2X 2008's earnings.

Recommendation: Trading buy



Important Disclosure / Analyst Certification / Disclaimer

This document is published by East Asia Securities Company Limited, a wholly-owned subsidiary of The Bank of East Asia, Limited (BEA).

The research analyst primarily responsible for the content of this report, in part or in whole certifies that the views on the companies and their securities mentioned in this report accurately reflect his/her personal views. The analyst also certifies that no part of his/her compensation was, is, or will be, directly, or indirectly, related to specific recommendations or views expressed in this report.

This report has been prepared solely for information purposes and has no intention whatsoever to solicit any action based upon it. Neither this report nor its contents shall be construed as an offer, invitation, advertisement, inducement or representation of any kind or form whatsoever. The information is based upon information, which East Asia Securities Company Limited considers reliable, but accuracy or completeness is not guaranteed. Information and opinions expressed herein reflect a judgment as of the date of this document and are subject to change without notice. Any recommendation contained in this report does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This report is not to be taken in substitution for the exercise of judgment by respective readers of this report, who should obtain separate legal or financial advice. East Asia Securities Company Limited and / or The BEA Group accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or further communication given in relation to this report.

At time of this report, East Asia Securities Company Limited has no position in securities of the company or companies mentioned herein the report, while BEA along with its affiliates and/or persons associated with any of them may from time to time have interests in the securities mentioned in this report. BEA and its associates, its directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking and other banking services for these companies.

BEA and/or any of its affiliates may beneficially own a total of 1% or more of any class of common equity securities of the subject company or companies mentioned in this report and may, within the past 12 months, have received compensation and/or within the next 3 months seek to obtain compensation for investment banking services from the subject company or companies mentioned in the report.

This document is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of, or located in, any locality, state, country or other jurisdiction, publication, availability or use would be contrary to law and regulation.