

Analyst: Kevin Tam

Main Board Listing – Research

Computime Group Limited [Stock Code: 320] 金寶通集團有限公司

Global Co-ordinator, Book-runner, Sponsor
and Lead Manager

: JP Morgan

Financial Advisor

: HSBC

Co-lead Manager

: DBS Asia Capital Ltd.

Sector : Capital Goods

Business : Electrical Equipment

Total share offer: 200,000,000 shares
(25% of the enlarged share capital)

Public Offer: 20,000,000 shares (10%)

Placing: 180,000,000 shares (90%)

Greenshoe: 30,000,000 shares

Price: HK\$1.83 – HK\$2.28 per share

Market Cap: HK\$1,464 million – 1,824 million

Adjusted NTA per share: HK\$0.75 - HK\$0.86

Staffing: 4,550

HK Public Offer period:

25th September 06 – 28th September 06 noon

Receiving bank: HSBC

DBS Bank (HK) Ltd.

Standard Chartered Bank (HK)

Share registrar: Computershare Hong Kong
Investor Services Limited.

Listing date: 9th October 2006

Business of Computime Group Limited

The Group is a leading Asia-based provider of electronic control and automation devices and solutions, with worldwide distribution and sales, principally in the Americas and Europe. The Group involves in the research, development, design and manufacturing of standard and customized control devices, many of which incorporate advanced technologies such as wireless networking and alternative renewable energy capabilities.

The principal business segments of the Group comprise of: (i) Building and home control products; (ii) Appliance control products and; (iii) Commercial and industrial control products.

Major customers include: Chamberlain, Electrolux, General Electric, Trane and Whirlpool. In addition, the Group have been developing control devices under its own brand name in recent years.

Major Shareholders after Listing (Assuming the over-allotment option is not exercised)

• SPGL (BVI) [Jointly owned by Auyang Ho, Executive Director and Chairman of Computime (67.66%) and Auyang Pak Hong, Bernard, Executive Director and CEO of Computime (32.34%)]	44.06%
• Crystalplaza Ltd. (BVI) & Little Venice Ltd. (BVI) (Owned by Ms. Leung Yee Li Lana, one of the substantial shareholders)	23.25%
• Cheer Fountain Ltd. (BVI) (Wholly owned by Trustcorp Ltd., as trustee for a discretionary trust for the family of Wong Wing Keung, one of the early shareholders of the Company)	7.69%
• Public Shareholders	25%
	<u>100%</u>

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Use of Proceeds

Net proceeds from the offer are estimated to be HK\$361 million. (Assuming the over-allotment option is not exercised, and at an issue price of HK\$2.06 each, being the mid-point of the indicative price range)

	HK\$ million
For the funding of equity investment in joint venture or strategic alliance arrangements with third parties	108.3
For expanding product offerings and distribution networks	108.3
For acquiring proprietary technologies	72.2
For repayment of borrowings in respect of trade facilities	36.1
For general corporate purposes	36.1

Financial Highlights

	Year ended 31 st March		
	2004 HK\$ million	2005 HK\$ million	2006 HK\$ million
Turnover	1096	1776	1908
Gross profit	260	347	375
Operating profit	111	160	171
Net profit	93	132	140
Gross margin	23.7%	19.5%	19.6%
Operating margin	10.1%	9.0%	8.9%
Net profit margin	8.5%	7.4%	7.3%

Strengths/Opportunities

- ✓ According to Frost and Sullivan, demands for electronic control and automation systems are expected to expand at CAGR of 25% during 2005 to 2010.
- ✓ During FY05/06 when manufacturing counters are overshadowed by rising material costs, Computime so far maintained a stable margin on reduction in sales of lower margin products such as MP3 and related products.
- ✓ The IPO is just a small issue and should be able to ride on the recent waves of new offerings.

Weaknesses/Threats

- × The Group has to rely on manufacturing support provided by third parties processing agents. Any failure in or interruption of the business of the processing agent would adversely affect the Group's business.
- × The Group's growth in revenue and net profit slowed to 7.5% and 6.1% respectively for FY05/06.
- × About 74% of revenue comes from the US. Continuing appreciation of RMB against the USD will impose pressure on the margin.
- × The Group is currently relying on short-term financing (some HK\$247 million) to facilitate its operation. Pre-IPO debt to equity ratio stood at 82% while the post IPO pro-forma debt to equity is estimated at a more reasonable 32%.
- × Management of the Group does not provide earnings forecast for FY06/07. Nevertheless, the IPO price range indicates a historical PER at 10.45X to 13.0X. There is currently no comparable listed peer but the Group's thin profit margin and limited entry barrier may deter investors' interest.

Recommendation: Hit & Run

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