

Analyst: Kevin Tam

Main Board Listing – Research

永保時國際(控股)有限公司

Winbox International (Holdings) Limited [Stock Code: 0474]

Sponsor : Goldbond Capital (Asia) Limited
Lead Underwriter : Goldbond Securities Limited
Co-Lead Underwriter SBI E2-Capital Securities Limited

Sector : Manufacturing

Business: Packaging products of consumer products

Total share offer: 20,000,000 (5% of enlarged capital) Public Offer: 20,000,000 (100%)	<u>Business of Winbox International:</u> Winbox International is principally engaged in the design, manufacturing and sales of packaging products. The major customers of Winbox are manufacturers of internationally recognised banded and luxury consumer merchandise such as watches, pens, jewellery, gifts and accessories. Its packaging products are mainly packaging cases made of plastic, paper or wood with leatherette, artificial suede, velvet, satin, paper or other materials mounted on the surface; bags; and pouches. Winbox also engages in the design, manufacturing and sales of retail display units.
Price: HK\$0.55 per share Market Cap: HK\$220 million Forecast 2006 P/E: 11.36X Adjusted NTA per share: HK\$0.368 Staffing: 1,606	Products of Winbox are sold mainly overseas. For the eight months ended 30 th November 2005, markets in Hong Kong, Asia and Australia, North America, Europe and others accounted for 23.3%, 2.4%, 11.4%, and 61.7% and 1.2% of total turnover respectively.
HK Public Offer period: 24 th May 2006 to 29 th May 2006 Receiving bank: Standard Chartered Bank Share registrar: Computershare Hong Kong Investor Services Limited Listing date: 6 th June 2006	

Major Shareholders after Listing

Fung's Family (Founding member of the group)	40.53%
Monnie Luck Limited (considered as a public shareholder)	9.8%
Goodwill International (Holdings) (Majority owned by the Fung Family)	9.91%
E2-Capital Inc	7.1%
Dato' Wong Sin Just	0.22%
Other public shareholders	32.44%
	<u>100%</u>

Remarks:

Major shareholders including Mr. Fung Ka Pun, Ms. Choi Hon Hing, Gainbest Investment Limited, HSBC International Trustee Limited, Ms. Fung Wing ki, Vicky and Ms. Fung Wing Yee, Wynne has jointly and severally undertaken that they will be subject to a lock up period of 6 months for sale of shares from the date of listing.

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Use of Proceeds

The Public Offer is for sale of the Public Offer Shares by the Selling Shareholders (E2-Capital) only. The Company will not receive any proceeds from the sale of the Public Offer Shares.

Financial Highlights

	Year ended 31 st March			Eight months ended 30 th November	
	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000
Turnover	89,235	89,919	130,581	93,706	112,140
Gross profit	35,076	34,726	55,821	39,482	45,897
Operating profits	24,069	25,369	35,359	27,712	23,710
Profit before tax	25,321	26,024	34,800	27,267	23,564
Net profit	23,636	24,065	30,186	24,193	19,476
Owner's equity	122,506	131,690	158,934	NA	156,494

Strengths/Opportunities

- ✓ The Group targets the medium to high-end market, which placed significant emphasis on the quality of products and services. That explains the reason why the Group's high profit margin of over 20% on average in the past few years.
- ✓ As about 62% of sales come from Europe, the strengthening Euro should help lift the net profit of the Group.

Weaknesses/Threats

- × The Group is not immune from the input cost pressure. For the eight months ended 30th November 2005, gross profit margin declined to 40.9% from 42.1% for the corresponding period in the prior year; while operating margin declined to 21.1% from 29.6% for the corresponding period in the prior year. For the eight months ended 30th November 2005, net profit dropped 19.5% y-o-y at HK\$19.476 million. According to the prospectus, net profit for FY06 would be no less than HK\$25 million, representing a 17.2% y-o-y decline.
- × The stock turnover days of the Group has been staying at above 100 days for the past few years. The slow inventory turnover posed some constraint on cash flow.
- × Some 15% to 18% of the Group's total assets are invested in listed and unlisted securities as part of the Group's so called cash management strategy. This undoubtedly raised the risk profile of a manufacturing company.
- × Trading at FY06E PER of 11.36X, the Group is priced at an expensive level for a small cap manufacturer.

Recommendation: Unattractive

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