

**Analyst: Vincent Leung**

## Main Board Listing – Research

**峻凌國際控股有限公司**
**Regent Manner International Holdings Limited [Stock Code: 1997]**

**Joint Sponsors** : Mega Capital (Asia) TSC Capital  
**Joint Bookrunners and Joint Lead Managers** : Mega Capital (Asia) Taiwan Securities (HK)  
**Sector** : Technology Hardware & Equipment  
**Business** : Provision of integrated SMT production solutions for manufacturers of TFT-LCD and other electronic products

<p><b>Total share offer:</b> <u>250,000,000</u> shares (25% of the enlarged share capital)</p> <p><b>Public Offer:</b> 25,000,000 shares (10%)</p> <p><b>Placing:</b> 225,000,000 shares (90%)</p>	<p><b><u>Business of Regent Manner International</u></b></p> <p>The Group is principally engaged in the provision of integrated SMT (surface mounted technology) production solutions for manufacturers of TFT-LCD panels and various electronic products.</p> <p>The Group's scope of services includes the procurement and management of materials and components, process engineering design, SMT processing, quality assurance, logistics management and after-sales services. The Group provides SMT production solutions either on a turnkey basis or on a consignment basis.</p> <p>The Group's immediate customers include leading international brands in the electronic components markets, including Taiwan-based AU Optronics Corp and Chi Mei Optoelectronics (the world's 3<sup>rd</sup> and 4<sup>th</sup> largest TFT-LCD panel makers respectively), Innolux Display Corp (the world's 2<sup>nd</sup> largest TFT-LCD monitor maker in terms of sales volume), BOE Technology, USC, AmTRAN and Avison.</p> <p>The existing production premises of the Group are located across 4 coastal provinces in the PRC: Dongguan of Guangdong Province, Suzhou and Nanjing of Jiangsu Province, Ningbo of Zhejiang Province and Xiamen of Fujian Province. The Group has 76 SMT production lines at the end of 2006 and the annualised utilization rate reached 86.1% for FY2006.</p>
<p><b>Price:</b> HK\$1.51 – HK\$1.88 per share</p> <p><b>Market Cap:</b> HK\$1,510 million – HK\$1,880 million</p> <p><b>Historical FY2006 P/E:</b> 8.2x – 10.2x</p> <p><b>Adjusted NTA per share:</b> HK\$0.9781 – HK\$1.0686</p> <p><b>Staffing:</b> 3,542 (as of 21<sup>st</sup> June 2007)</p>	
<p><b>Public Offer period:</b> 26<sup>th</sup> January 2007 – 29<sup>th</sup> June noon</p> <p><b>Receiving bank:</b> Standard Chartered Bank (HK)</p> <p><b>Share registrar:</b> Tricor Investor Services Limited</p> <p><b>Listing date:</b> 10<sup>th</sup> July 2007</p>	

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

Taiwan Surface Mounting Technology Corp. (a Taiwan listed company (stock code: 6278.TT))	73.48%
Employee shareholders (Note 1)	1.52%
Value Partners Limited (Note 2)	2.50%
CITIC Capital Investment Management Limited (Note 2)	2.50%
Other public investors	20.00%
	<u>100.0%</u>

**Notes:**

- The Employee Shareholders include Wu Kai-Yun (chairman & a non-executive director); Wu Kai-Hsiung (an executive director & CEO) and Chen Lung-Hsun, Patrick (an executive director & CFO); Shih Wen-Hsiung, Tu Ming-Hui and Chen Wen-Chung (who are senior management of the Group); Wang Chia-Chen, Tseng Yu-Ling, Wang Shih-Hung, Yu Jan-Gwo, Hung Li-Ling, Hsu Hsing-Kuo, Fang Fu-Shou, Lu Yu-Yi and Chao Tzu-Chung (who are other key management personnel of the Group). Shares held by the Employee Shareholders are subject to a lock-up period of 6 months from the listing date.
- As part of Placing, each of Value Partners and CITIC Capital Investment Management has agreed to subscribe for 25,000,000 offer shares, representing a combined 5% of the enlarged share capital of Regent Manner International. Shares purchased by Value Partners and CITIC Capital Investment Management in this offering are subject to a lock-up period of 6 months from the listing date.

**Use of Proceeds**

Net proceeds from the offer are estimated to be HK\$401 million (Assuming the over-allotment option is not exercised, and at an issue price of HK\$1.70 each, being the midpoint of the indicative price range)

	HK\$ million
For the construction of production facilities in Ningbo, Xiamen and Foshan	74
For the purchase and installation of 33 SMT production lines	327

**Financial Highlights**

	Year ended 31 <sup>st</sup> December		
	2004 US\$'000	2005 US\$'000	2006 US\$'000
Turnover	111,972	203,624	274,110
Gross profit	5,758	16,475	34,483
Operating profit	2,959	11,579	26,954
<b>Attributable profit</b>	<b>1,436</b>	<b>9,064</b>	<b>23,804</b>
Gross margin	5.1%	8.1%	12.6%
Operating margin	2.6%	5.7%	9.8%
Net margin	1.3%	4.5%	8.7%

**Revenue Breakdown by Product Category (% of Total Revenues)**

	Year ended 31 <sup>st</sup> December		
	2004 %	2005 %	2006 %
Arising from TFT-LCD panels:			
Large-sized TFT-LCD	79.3%	61.9%	72.4%
Small-sized TFT-LCD	9.6%	34.8%	25.0%
Others	11.1%	3.3%	2.6%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>



## **Strengths/Opportunities**

- ✓ The Group has been accredited with ISO9001 for its quality management system.
- ✓ The Group's customer portfolio comprises leading international brands in the electronic components industry, such as Taiwan-based AU Optronics Corp and Chi Mei Optoelectronics (the world's 3<sup>rd</sup>- and 4<sup>th</sup>-largest TFT-LCD panel makers respectively), Innolux Display Corp (the world's 2<sup>nd</sup>-largest TFT-LCD monitor maker in terms of sales volume), as well as Hong Kong-listed computer monitor manufacturer Proview International (stock code: 0334).
- ✓ To be priced at its historical FY2006 P/E of 8.2x-10.2x, Regent Manner's valuation is reasonable when compared with Hong Kong-listed Fittec International (stock code: 2662), which is engaged in the provision of electronic manufacturing service ("EMS") in the PRC's printed circuit board ("PCB") assembly industry. Fittec is trading at its historical FY2006 P/E of 9.82x.

## **Weaknesses/Threats**

- × The average selling prices of TFT-LCD panels have declined rapidly in the past few years and the downtrend may continue in the future amid technology advancement and increase in production capacity. The TFT-LCD makers, including the Group's customers, may exert pressure on the suppliers to reduce costs. Nevertheless, the Group has been able to raise its gross margin from 5.1% in FY2004 to 12.6% in FY2006, thanks to enhancing economies of scale and stronger bargaining power.
- × The Group has been reliant on a few customers who are leading manufacturers in the TFT-LCD industry. The top 5 customers accounted for approximately 88.2% of the total FY2006 turnover, while the largest customer AU Optronics Corp accounted for 63.7%. As the Group has not entered into any long-term sales contracts with any of its major customers, cessation or reduction of orders from these major customers will adversely affect its financial results.

**Recommendation:    Neutral**



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