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HONG KONG RESEARCH
25th October 2005

Main Board Listing - Research

巨騰國際控股有限公司
Ju Teng International Holdings Limited [Stock Code: 3336]

Sponsors	:	Sinopac Securities (Asia) Limited Access Capital Limited
Joint Bookrunners and Joint Lead Managers	:	Sinopac Securities (Asia) Limited Kingsway Financial Services Group Limited

Sector : Information Technology
Business : Manufacture and sale of notebook casings

Total share offer: 260,000,000 shares
(26% of the enlarged share capital)

Public Offer: *26,000,000* shares (10%)
Placing: *234,000,000* shares (90%)

Greenshoe: *39,000,000* shares

Price: HK$1.24 – HK$1.57 per share
Market Cap.: HK$1,240 million – HK$1,570 million

FY2005E P/E: 6.9x – 8.7x (pro-forma diluted)

Adjusted NTA per share: HK$1.07 – HK$1.15

Staffing: 19,443 (as of 30th September 2005)

HK Public Offer period:
25th October 2005 – 28th October 2005 noon

Receiving bank: Standard Chartered Bank (Hong Kong, ICBC (Asia)

Share registrar: Tricor Investor Services Limited

Listing date: 3rd November 2005

Business of Ju Teng ("the Group")

The Group is principally engaged in the manufacture and sale of notebook computer casings. It is also engaged in the manufacture and sale of casings for LCD PCs, digital cameras and game consoles. The Group's products are semi-finished consumer goods and will be delivered to clients' production plants in the PRC for further processing before marketing and sale to end users. The Group's clients include Arima, Asus, Compal, FIC, Wistron and Quanta, all of which are OEM and ODM electronic consumer product manufacturers of renowned international brands.

The Group's production facilities are located in Jiangsu and Shanghai, providing with "one-stop" manufacturing services, which include plastic injection moulding, dust-free spray painting, metal tooling and stamping, and assembly of notebook computer casings. The major materials used in the Group's production are metal sheet, resin and paint, which are mainly purchased from the PRC and Taiwan.

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

Southern Asia – 69.09% owned by the Cheng Family trust	39.59%
Extrawell	18.23%
Share Award Plan Trustee	1.34%
Various passive investors and companies beneficially owned by employees, with stakes ranging from 0.45% to 5.36%	14.84%
	74.00%

Use of Proceeds

Net proceeds from the offer are estimated to be HK$325.3 million.

(Assuming the over-allotment option is not exercised, and at an issue price of HK$1.405 each, which is the mid-point of the indicative price range)

	HK$ million
For acquiring new machinery for plastic injection moulding, metal tooling and stamping	118
For funding future investment in, or acquisition of, interests in other companies engaged in mould manufacture, casing mechanical manufacture and production materials supplies	114
For the repayment of the outstanding bank borrowings. The loans were utilised mainly for the procurement of production materials, acquisition of machinery, and payment of construction in progress	77
For the Group's general working capital to finance purchases of production materials and capital expenditures.	16.3

Financial Highlights

	Year ended 31st December			**6 months ended 30th June**
	2002	**2003**	**2004**	**2005**
	HK$ '000	**HK$ '000**	**HK$ '000**	**HK$ '000**
Turnover	234,632	887,332	1,561.093	1,096,710
Gross profit	68,090	228,126	401,834	198,335
Net profit	36,935	164,751	241,373	78,042
EPS – basic	**HK¢5.0**	**HK¢22.3**	**HK¢32.6**	**HK¢10.5**

Strengths/Opportunities

✓ Mainland China was the Group's largest market. Revenue derived from the PRC accounted for 87.9% and 91.6% of the Group's total in 2004 and 1H2005, respectively. According to market estimates, the total notebook output in the Greater China region is expected to grow by 1.4 times from 33.4 million units in 2004 to 79.3 million units in 2009, or at an estimated CAGR of 18.9%, and contribute more than 70% of the world's total notebook output by 2009.

✓ "One-stop" production solution, the advanced know-how to produce extra-thin casing and the "double-shot" moulding technology should not only enhance cost efficiency, but also give the Group comparative advantage to grasp business opportunities from competitors.

Weaknesses/Threats

× Metal plate, resin and paint are the Group's major production materials. Due to high crude oil price, the respective procurement costs have surged and ate into the Group's profit margins. For the first half of 2005, the Group's gross profit margin slipped to 18.1% from 23.7% a year earlier and 25.7% in 2004. For this reason, the Group management forecast net profit would drop 25% y-o-y to HK$180 million in 2005 from HK$241 million last year.

× Pricing at 6.9-8.7x, the valuations of Ju Teng are not demanding given the favourable outlook of notebook manufacturing industry in Mainland China. However, high material costs should remain a threat to the Group's bottom line, as crude oil prices continue to stay at high levels.

Recommendation: Unexciting