Corporate Flash

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Jackin Int'l: Recycling play with profits

Recommendation: BUY (initiating coverage) | **Hong Kong Industrials**

Price	HK$0.49
Target price	HK$0.80 (+63%)
12 mth range	HK$0.091-0.81
Market cap.	US$49.2m
Daily t/o, 3 mth	US$1.08m
Free float %	47.6%
Ticker	0630.HK/630 HK

Year to Dec	Net profit HK$m	EPS HK$	EPS Δ %	P/E x	P/B x	EV/EBITDA x	Yield %	ROE %	ROCE %	N. Gear. %
05A	(135.2)	(0.198)	(555.0)	(2.5)	1.6	3.4	Na	-51.3	-36.5	90.6
06A	64.9	0.093	-147.0	5.3	1.2	5.6	Na	26.7	14.8	69.2
07F	39.2	0.043	-53.4	11.3	1.1	6.2	Na	11.4	7.8	36.0
08F	60.6	0.067	54.6	7.3	0.9	4.8	Na	13.6	10.7	22.1
09F	83.8	0.093	38.3	5.3	0.8	3.8	Na	15.8	13.6	8.9

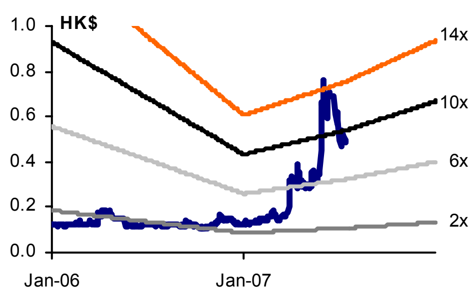
Relative to Hang Seng Index (1 mth, 3 mth, 12 mth): -35.9%, 19.7%, 224.1%
Actual price changes (1 mth, 3 mth, 12 mth): -29.0%, 34.2%, 276.9%
Consensus EPS (05F-06F): HK$0.047, HK$0.069

Key points:

- Jackin's 100%-owned AFEX was the eight largest toner cartridge remanufacturers in the world and the second largest in Asia in 2006. Other higher ranked players have been acquired or exited the market since.
- Distributes remanufactured toner cartridges worldwide, with major markets being US, Europe and Australia.
- Company is one of three cartridge recycle manufacturers, holding two out of the country's five limited licenses to import and remanufacture used toner cartridges. Chinese government ban on further issue of these licenses have further solidifying Jackin's cost and productivity advantage against overseas competitors.
- Toner cartridge remanufacturing is the most environmentally friendly method of recycling. Governments and corporates around the world have already, or are in the process of, implementing environmentally favourable policies/practices, which will ensure growing demand going forward.
- Growth is expected to come from: 1) increasing contribution from Europe; 2) growing proportion of colour toners within the sales mix; 3) lengthening product lines from introduction of low end cartridges; 4) margin improvement from bill of materials cost down and 5) M&As.
- Initiate coverage with a BUY call, and target price of HK$0.80, representing 12.0x FY12/08F P/E (on a fully diluted basis). Trading at 11.3x FY12/07F and 7.3x FY12/08F P/E the stock is deeply undervalued compared to peer's current P/E of 18.8x and 1-year forward P/E of 16.0x.

Company profile. Listed in 1996, Jackin is engaged in three lines of business: 1) remanufacturing and sales of computer printing and imaging products; 2) manufacturing and sales of data media products such as floppy disk and 3) distribution and sales of data media products.

Chart 1: P/E bands



Source: SBI E2-Capital

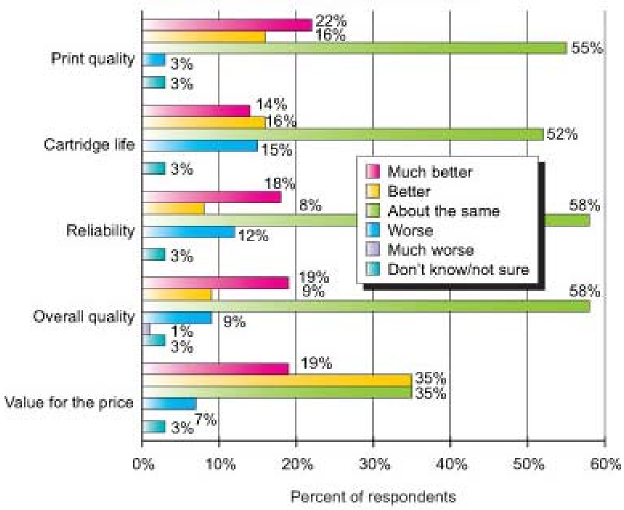
History of business model execution in line with global IT trend. Jackin has demonstrated an uncanny ability to evolve its business model over the past two decades to complement the fast changing global IT industry. The company started its business by engaging in trading of video cassettes tapes in 1983. In early 90s, it started to engage in floppy disks manufacturing business and by the mid 90s, had built up a fully automated CD and VCD production line in Hong Kong, engaging in "Total Fulfillment". The company became Microsoft's Authorized Replicator during this period and later started data media distribution business in China in 2001. In 2002, the company established AFEX to tap the burgeoning market of remanufacturing printer toner cartridges.

World leader in toner cartridge manufacturing. Wholly-owned subsidiary AFEX is engaged in remanufacturing of toner cartridges at its two plants in Zhuhai and Shenzhen, with a total current production capacity of 100,000 per month. The company is the eighth largest cartridge remanufacturer in the world and the second largest in Asia in 2006 according to The Recycler Trade Magazine. However, it is our understanding that since the issue of the rankings in Apr 2006, two of the higher ranked companies have since been acquired and/or exited from the business. More importantly, the company holds two out of China's five limited licenses to import and remanufacture used toner cartridges. Jackin's recycled toners cartridges are carried by major stationery channels in North America, Europe and Asia Pacific. AFEX currently employs over 500 workers with some 300 located in Shenzhen and remaining 200+ located in Zhuhai.

Toner cartridge remanufacturing market. The proliferation of remanufactured toner cartridges took off in the mid 1990s. Today, the growth in the aftermarket (remanufacturing and new compatibles) far exceed that of the branded OEMs. According to ETIRA, worldwide shipments of monochrome toner cartridges was around 190.0m unites in 2006 and this is expected reach 215.0m units by 2010. Of this, the aftermarket (remanufacture and new compatibles) accounted for 33.0% in 2006 and this is expected to increase to 38.0% in 2010, representing a 5-year CAGR of 5.4%. The aftermarket share of the overall colour toner market is forecast to grow from currently 9.0% to between 12.0-14.0% over the same period. Meanwhile, in the inkjet segment, unit is projected to increase from 1.5b units in 2006 to around 2.0b units by 2010, with the aftermarket share increasing from currently 25.0% to around 30.0% by 2010. This represents a 5-year CAGR of 9.9%, though this segment includes a high proportion of new compatibles, due to the emergence of refill shops and refilled cartridges.

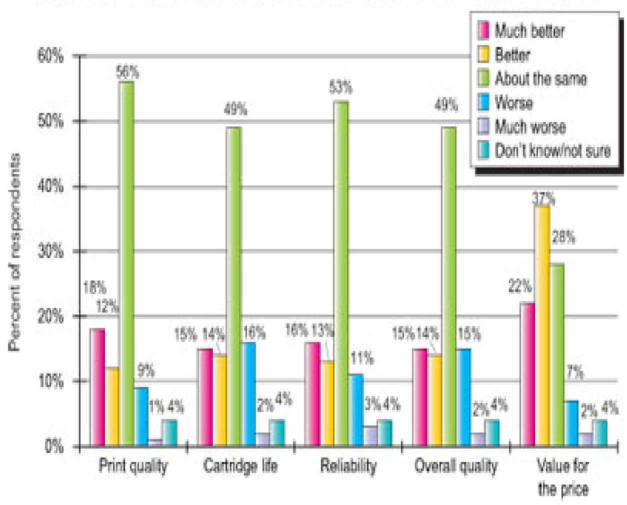
Quality of remanufactured cartridges measures up to OEMs. Despite costing up to 40.0% less than OEM cartridges, the quality is of remanufactured toners are comparable to that of their original counterparts. Based on a survey conducted by Lyra Research, 71.0% of respondents indicated that the print quality of remanufactured toner cartridges was "about the same" or "better" than OEM counterparts while 22.0% suggested that remanufactured toner cartridges was "much better" in this area. Meanwhile, 96.0% of respondents agreed that remanufactured toner cartridges were about the same to much better in terms of overall quality. In 2007, a test report from independent European testing agency Stiftung Warentest concluded that the quality of non-OEM cartridges were similar to that of OEM cartridges whilst being more cost effective. Furthermore, in long run printer tests, it was found that non-OEM cartridges did not lead to any additional wear and tear to the printer units. The tests were conducted on over 17 different models of printers.

Chart 2: Aftermarket toner cartridge to OEM toner cartridge comparison



Source: Lyra Research

Chart 3: Aftermarket ink cartridge to OEM ink cartridge comparison



Source: Lyra Research

Remanufacturing is the most environmentally friendly method while making economic sense. Remanufacturing of toner cartridges involves dismantling, retooling, refilling and re-assembly. Whilst recycling of plastics is good, the process is inefficient, requiring: 1) sorting from waste, 2) sorting of resin type and 3) decomposing by specialists. Furthermore, the plastic recycling process is costly (much more expensive than newly manufactured plastics), which required substantial subsidies from the government. However, in the case of remanufacturing of toner cartridges, the bulk of the components are salvaged. The reuse of plastics and metals parts in close to its actual original form is the most environmentally friendly method for dealing with what is essentially a waste product. The use of remanufactured toner cartridges can substantially reduce the number of cartridges going to landfill.

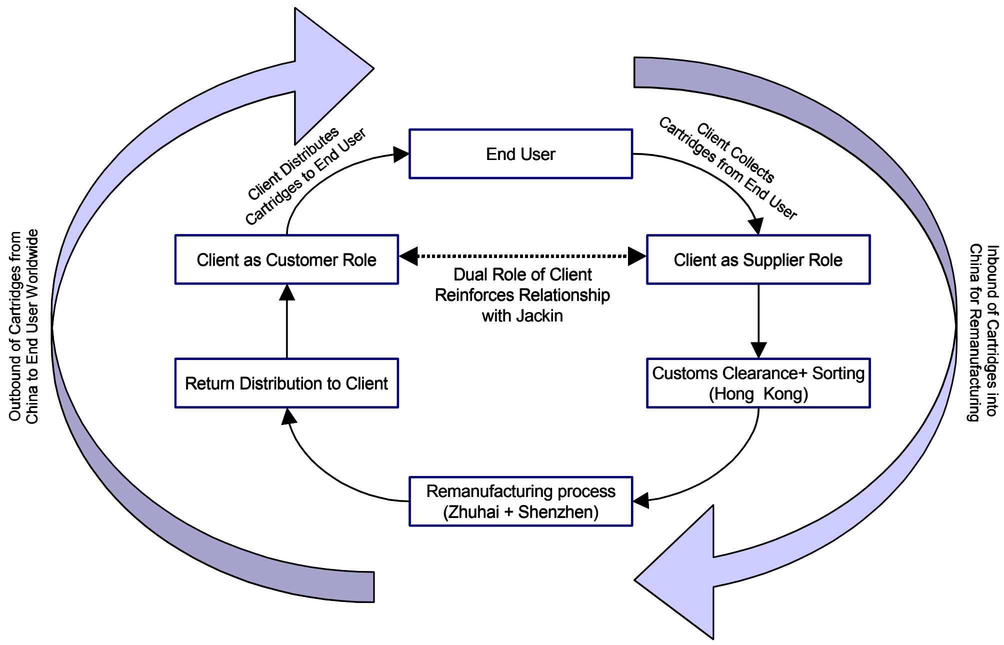
Macro environment ripe for toner cartridge remanufacturing. Worldwide, both governments and corporate companies are becoming increasingly active in implementing environmental friendly initiatives. The EU in particular has implemented a number of policies/legislations, including the EU legislation on eco-design of energy-using products (EuP) to encourage the use of products such as remanufactured toner cartridges and it is also in the process of overhauling the EU Waste Directive. Many corporate companies are also implementing internal environmental policies and view this both as a corporate responsibility as well as a competitive advantage. Consequently, opportunities exist for companies such as Jackin to capture these markets with products that help satisfy new regulatory and corporate standards. We expect this trend to continue going forward and for Jackin to emerge as a market leader.

Core business and main growth driver. Since commencing investment in 2002 and official production in 2004, AFEX is now Jackin's core business segment and main growth driver. In FY12/06A, its sales of remanufactured toner cartridges increased 34.3% YoY to HK$133.1m, accounting for 38.5% of Jackin's total turnover. Its major market is the US (31.0% of the total), followed by Asia Pacific, including Australia (48.0%) and Europe (21.0%). The company's top customer (Australia-based) account for around 20.0%, while its top 5 customers (1 x Australia, 3 x US, 1 x Europe) account for between 60.0-70.0%. Of the toner cartridges shipped, approximately 90% are monochrome, with the remaining 10.0% colour.

Product portfolio. Jackin's products can be divided into several grades – super premium, premium, premium standard, standard and test grade. The grade is determined by the composite of new and used materials used in the cartridge. In super premium cartridges, most of the materials are new but in standard or test grade cartridges, most are recycled components. The company now makes more than 180 monochrome and 60 color recycled laser toner cartridges, which are used in printers manufactured by HP, Epson, Canon, Lexmark, Xerox and Konica. Management estimates that around 80.0% of its recycled laser toner cartridges are used in HP branded printers.

Unique relationship with customers. Jackin has a unique relationship with its clients in that they are both suppliers and customers of its toner cartridge remanufacturing business. It relies on clients for upstream collection "empties" and on completion of the remanufacturing process, delivers cartridges these same clients, who in turn utilises their respective distribution channels to distribute them downstream to end users. In effect, AFEX's clients are its key channel partners. This unique relationship increases the lock-in effect by reinforcing the inter-dependent relationship and creating a win-win situation for all parties.

Chart 4: Jackin's supply chain for printer cartridge remanufacturing



Source: SBI E2-Capital

Cost advantage and high entry barriers. The toner manufacturing business is labour intensive and involves a high level of repetition in its manufacturing process. China, with its abundance of highly productive labour, is an ideal location for conducting these operations. While entry into the business on a small scale is relatively easy, scaling up the business to a global level faces high entry barriers. Setting up the value chain of both upstream and downstream partners is extremely difficult. Upstream wise, it is extremely important for AFEX to secured a large but stable source of toner cartridge empties. Meanwhile at a downstream level, large office supply distributors with extensive networks, such as US-based Staples, typically only retain 2-3 key suppliers of each product. Also, as the Chinese government wants to avoid China becoming a global dumping site for consumer electronic waste, it has ceased to issue anymore new import licenses for used printer toner cartridges. Jackin is one of only three manufacturers licensed to offer cartridge-remanufacturing services in China.

Benefiting from industry consolidation. The toner cartridge remanufacturing industry has been consolidating over the past few years as companies seeked to increase scale to drive down operating costs. Jackin has clearly emerged as one of the clear winners, taking an increasing share of the market as smaller, less efficient, less profitable players are driven out. We believe that this trend will persist and Jackin will further consolidate its industry leading position by becoming a key player in this process. In the near term, we expect the company's potential M&A targets to be upstream suppliers or waste collectors as it seeks to secure its supply of empties and lower raw material sourcing costs. We do not expect the acquisition consideration to be high in absolute terms, given that these are generally asset-light companies, whose main assets are its channels. Therefore, we expect acquisition risk to be low.

In-house all the way. One of Jackin's keys competitive advantages over its rivals are that it is refurbishes a lot of the toner cartridge's components in-house. Typically in a cartridge, the main elements include the OPC drum, toner, charging roller, magnetic roller and wiper blade. In the past, components that failed the re-use assessment were discarded and Jackin would source brand new components for incorporation into the cartridge. However, since 2Q07, the company has incorporated technology, which allows it to refurbish both charging and magnetic rollers for those, which had failed the re-use assessment. We understand that Jackin is the first amongst its competitors to adopt this process and the company further aims to be refurbishing the OPC drum (the most expensive component in the cartridge) by the end of FY12/07. This derives a series of advantages over its competitors, including: 1) cost down in sourcing of components and 2) enables the company to lengthen the product line with lower grade cartridge products which utilizes these refurbished components. By the end of FY12/07, Jackin will be in a position to be able to remanufacture the majority of the key components of the toner cartridge (other than consumables such as toner). The process of in-house refurbishment has helped Jackin offset any increases in empties cost. The company's BOM (build of material)/turnover ratio to reduced from 67.1% in FY12/05A to 41.0% in FY12/06A and we expect this to be driven down further once roller and OPC drums are further refurbished in the process.

Remanufactures have advantages over new compatibles. In our view, remanufactured toner cartridges have many significant advantages over new compatibles. Firstly, remanufactures is a more environmentally friendly product as new compatibles are essentially newly manufactured low cost substitutes of OEM cartridges. Secondly, new compatibles are subject to more patent risk, as they are required to manufacture many of the components including the cartridge casing, which are often patented by OEMs. Thirdly, new compatible manufacturers are typically less flexible and carries less product lines than remanufactures, as they need dedicated moulds to manufacture the specific components associated with that product. This also hinders the scalability of the business model, further ceding cost advantages to remanufactures.

Governments investigating OEM behaviour. To hinder the development of toner cartridge remanufacturing, OEMs have incorporated various anit-remanufacturing measures such as smart chips, which recognizes non-OEM cartridges. However, in 2006, the Directorate-General for Competition of the EU Commission has started to investigate whether printer manufacturers prevent free competition in the markets for toners and inkjets. In Jackin's case, its products are fitted with smart chips, which enable them to be used with the respective printers. The company sources the chips from US and Japanese-based suppliers which have been granted the royalty rights to use the patents by the branded printer manufacturers.

Emergence of distributor private labels guarantees shelf space. Another method in which OEMs "muscles" out smaller competitors in the consumer industry is by "crowding out" the shelf space at the customer point of sales with a multitude of different models. However, we believe this should not have a significant impact on quality oriented players such as Jackin. Many distributors now carry lower cost alternatives to offer more choice for the consumers. Furthermore, the emergence of the distributor's private labels, such as Staples, Office Depot and others essentially guarantees shelf space for Jackin as the company supplies many of its products to such type of distributors.

Other drivers:

- *Shortening replacement cycle*. Nowadays, many printer manufacturers focus on improving the quality of printing which in turn shortens the replacement cycle as fewer pages are produced per cartridge. In addition, the size of the cartridge is limited by the "form factor" of the printer, which is trending smaller in size. These factors lead to an increase in demand for replacement cartridges.

- *Growth in European market*. Currently, accounts for only 21.0% of the AFEX's turnover. With favourable government environmental regulations and corporate practices, this market is under represented in Jackin's portfolio, which should offer significant room for growth. The company has recently set up a dedicated sales office in Amsterdam to tap this opportunity.
- *Growing consumption of recycled cartridges*. Demand for laser printers, photocopiers and all-in-one equipment is increasing and with it demand for replacements. According to a Lyra research report, the recycled toner cartridge market in the US is worth US$11.0b and in Europe US$5.0b. The consumption of recycled toner cartridges has been rising as customers discover that they offer the same quality as new cartridges but at a lower price (by c.30.0-40.0% price) and are environmentally friendly.
- *Standardisation of cartridge components*. Most parts of the cartridges have been standardized with only a few players (especially HP) in the whole toner cartridge industry. This favours the remanufacturing business models such as that of Jackin as components can be re-used over a number of models.
- *Lengthening product line*. With capabilities to refurbish components, Jackin plans introduce lower grade and test grade products into its product line. These items are aimed at low-end customers. Jackin will start to sell standard and test grade cartridges to countries such as Africa, India and some underdeveloped areas of China and this will increase sales volumes. The lower ASPs for the product should be offset by an associated lower cost of production as most of the components are refurbished.

Floppy disk business and data media products. Jackin started to engage in floppy disks business since 1990. Currently, Jackin has a fully automated floppy disk plant in Shenzhen with capacity of 20.0m disks per month and the company has also been distributing data media products for Sony since 2001. However, we expect that contribution from this segment, together with its data media products to gradually decline as technology shifts away from these products, coupled with the stronger growth in the remanufacturing. The two segments accounted for 61.5% of overall turnover (HK$212.5m) in FY12/06A. Despite this, the company is in talks to produce disks for one of the world largest US based manufacturer, which has started outsourcing in to Jackin in 1H07, and plans to close down all of its production facilities by 4Q07. With additional orders from this US customer, we believe that the segment's turnover will increase in FY12/07. On the downside, the global demand for floppy disks is declining with a shift towards CD-Rs, USB memory devices and optical disks. According to the Japan Recording-Media Industries Association, it will fall at an average of 24.0% in the next three years. Thus, the benefits of this deal are relatively short term. Given that, Jackin is one of the largest EMS suppliers in this sector, we believe that the ASP will maintain at the same level going forward.

FY12/06A results. Jackin's turnover rose 4.8% YoY to HK$345.6m from HK$329.8m. Including its net gain from a legal claim from IBM, net profit reached HK$65.0m (or HK$17.9m ex-gain) compared to a loss of HK$135.2m in FY12/05A. Note that the FY12/05A result included an impairment HK$82.8m impairment charge for plant and property, as well as an impairment charge of HK$33.0m for bad and doubtful debts. Both of these were related to the IBM's total fulfillment contract. Gross margin was 32.4%, up 11.1% YoY.

Table 1: Turnover breakdown

Year to Dec (HK$m)	2006	% of total	2005	% of total	% change
Remanufacture and sale of cartridges	133.1	38.5	98.8	30.0	*34.7*
Manufacture and sale of data media products	105.6	30.6	126.9	38.5	*(16.8)*
Distribution and sale of data media products	106.9	30.9	104.1	31.6	*2.7*
Total	**345.6**	**100.0**	**329.8**	**100.0**	***4.8***

Source: Company data, SBI E2-Capital

Forecast. With robust growth in toner cartridges and orders for floppy disks, we expect net profit to increase to HK$39.2m in FY12/07F and HK$60.6m in FY12/08F. The remanufacturing business will account for the bulk of this growth and its increasing contribution is also expected to expand margins. We project remanufacturing revenues expected to increase 53.5% in FY12/07F and 9.0% in FY12/08F over the next two years to HK$530.4m and HK$578.0m respectively with colour toners accounting for close to 30.0% by FY12/08F. We estimate that gross margin in this segment will improve to 37.8% by FY12/08F to lower production cost and change in product mix. Sales of floppy disk will increase in FY12/07F due to the additional order from the US customers. But from FY12/08F onwards, we expect sales in this segment to commence a downward trend. For distribution and sale of data media products business, we expect the sales will decrease in low single digit going forward.

Corporate governance. Jackin was listed on the Hong Kong Stock Exchange in 1996. The company has changed its auditors several times over the last few years and improving the quality of the auditor each time. It replaced Deloitte with Grant Thornton in 2004 and reappointed Deloitte in 2005. In 2006, it replaced Deloitte with KPMG. The company's largest shareholders, Helena and Jacky Ho, hold 31.0% (including family members' stake of 2.8%), Art-Tech Enterprises holds 8.9%, while Martin Currie holds 6.4% and Nestor holds 6.1%

Issue of secured bonds and warrants. In Jun 21 2007, the company agreed to issue principal amount of HK$78.0m of bonds and warrants with aggregate value of HK$31.2m at the subscription price of 100% of principal amount of the bonds to Martin Currie China Hedge Fund. The company will use the funds to increase its remanufacturing capacity at both its Shenzhen and Zhuhai plants.

Table 2: Details

Issuer	Jackin
Subscriber	Martin Currie
Bonds details	Principal amount - HK$78.0m
	Interest rate - 10.0% per annum
	Maturity date - 3 years
Warrants details	No. of shares issued - 56.3m
	Subscription price - HK$0.554 per share
Use of proceeds	Net proceeds raised - HK$76.0m
	- HK$31.0m will be spend for business expansion
	- HK$15.0m will be spend for repayment of bank loan
	- The remaining as general working capital

Source: SBI E2-Capital

Initiating coverage with BUY call, target price of HK$0.80. We initiate coverage on Jackin with a BUY call and a target price of HK$0.80, representing 12.0x FY12/08F P/E (on a fully diluted basis assuming full exercise of warrants). We have applied a slight 25.0% valuation discount on comparables given the smaller liquidity in the counter and the data media distribution and floppy disk manufacturing businesses. The counter is currently deeply undervalued, trading at 11.3x FY12/07F and 7.3x FY12/08F P/E and comparing to peer's average current P/E of 18.8x and 1-yr forward P/E of 16.0x, the valuation of this counter looks appealing.

Risk. 1) Changes in government regulation; 2) ability to secure stable supply of empties; 3) patent claims from OEM printer manufacturers and 4) significant ASP decline in toner cartridges.

Table 3: Peer comparison

Company name	Ticker	Market Cap (US$m)	P/E (x) Historical	Current	1-yr Fwd	ROA (%)	ROE (%)
Industrial sector							
Lexmark International	LXK US	4,701.8	14.0	19.4	16.1	11.0	27.5
Ricoh Company	7752 JP	17,654.9	28.7	16.6	14.9	6.5	9.4
Canon Finetech Inc	6421 JP	742.4	19.3	12.9	11.0	5.7	8.6
Riso Kagaku Corporation	6413 JP	585.0	23.8	19.0	16.9	2.7	4.3
Hybrid Service Company	2743 JP	34.3	12.4	na	na	3.3	14.1
Seiko Epson Corporation	6724 JP	6,511.6	na	24.9	20.4	na	na
Brother Industries Limited	6448 JP	4,042.7	30.2	18.0	15.5	6.9	11.8
General Plastic Industrial	6128 TT	81.2	10.4	na	na	4.2	6.5
OCE NV	OCE NA	1,859.5	20.2	20.8	17.0	3.0	10.4
GMP Company	018290 KS	29.8	43.2	na	na	na	na
Inktec Corporation Limited	049550 KS	56.9	na	na	na	2.4	3.4
Average			*22.5*	*18.8*	*16.0*		

Source: SBI E2-Capital

Table 4: P&L

Year to Dec (HK$m)	2005A	2006A	2007F	2008F	2009F
Turnover					
Cartridge recycler	98.8	133.1	319.4	407.3	484.7
Floppy disc	126.9	105.6	121.0	90.8	68.1
Distribution and sales of data media	104.1	106.9	90.0	80.0	70.0
	329.8	345.6	530.4	578.0	622.7
Cost of sales	(259.4)	(233.5)	(375.8)	(396.1)	(410.7)
Gross profit	**70.4**	**112.1**	**154.7**	**181.9**	**212.1**
Other revenue	4.5	8.2	8.2	8.2	8.2
Other net (loss)/income	0.3	(0.1)	-	-	-
Selling and distribution costs	(22.8)	(22.4)	(42.4)	(46.2)	(49.8)
Administrative expenses	(51.1)	(51.8)	(42.4)	(46.2)	(49.8)
Other operating expenses	(199.8)	0.0	0.0	0.0	0.0
Depreciation & amortisation	(22.0)	(20.5)	(18.1)	(18.9)	(19.6)
Operating profit	**(118.6)**	**45.9**	**59.8**	**78.7**	**101.1**
Financial costs	(15.4)	(23.3)	(16.3)	(11.4)	(8.0)
Gain from a legal claim	-	47.1	-	-	-
Pre-tax profit	**(134.0)**	**69.7**	**43.5**	**67.3**	**93.1**
Tax	(1.2)	(4.8)	(4.4)	(6.7)	(9.3)
Minority interests	-	-	-	-	-
Net profit	**(135.2)**	**64.9**	**39.2**	**60.6**	**83.8**
EPS (HK$) - Basic	(0.198)	0.095	0.050	0.077	0.107
EPS (HK$) - F.D.	(0.198)	0.093	0.043	0.067	0.093

Source: SBI E2-Capital

P & L (HK$m)	05A	06A	07F	08F	09F
Year to Dec					
Turnover	**329.8**	**345.6**	**530.4**	**578.0**	**622.7**
% chg	*(9.3)*	*4.8*	*53.5*	*9.0*	*7.7*
Gross profit	70.4	112.1	154.7	181.9	212.1
EBITDA	(99.5)	59.8	71.2	92.7	117.1
Depre./amort.	(22.0)	(20.5)	(18.1)	(18.9)	(19.6)
EBIT	(121.5)	39.3	53.0	73.8	97.6
Net int. income/(exp.)	(12.5)	(16.7)	(9.5)	(6.6)	(4.5)
Exceptionals	-	47.1	-	-	-
Associates	-	-	-	-	-
Jointly-controlled entit.	-	-	-	-	-
Pre-tax profit	**(134.0)**	**69.7**	**43.5**	**67.3**	**93.1**
Tax	(1.2)	(4.8)	(4.4)	(6.7)	(9.3)
Minority interests	-	-	-	-	-
Net profit	**(135.2)**	**64.9**	**39.2**	**60.6**	**83.8**
% chg	*(772.6)*	*148.0*	*(39.6)*	*54.6*	*38.3*
Dividends	-	-	-	-	-
Retained earnings	(135.2)	64.9	39.2	60.6	83.8
EPS (HK$) - Basic	(0.198)	0.095	0.050	0.077	0.107
EPS (HK$) - F.D.	0.000	0.093	0.043	0.067	0.093
DPS (HK$)	-	-	-	-	-
No. sh.s o/s (m) - W.A.	684.0	687.5	782.7	782.7	782.7
No. sh.s o/s (m) - Y.E.	684.0	687.5	904.2	904.2	904.2
No. sh.s o/s (m) - F.D.	684.0	699.3	904.2	904.2	904.2
Margins (%)					
Gross	*21.3*	*32.4*	*29.2*	*31.5*	*34.1*
EBITDA	*(30.2)*	*17.3*	*13.4*	*16.0*	*18.8*
EBIT	*(36.8)*	*11.4*	*10.0*	*12.8*	*15.7*
Pre-tax	*(40.6)*	*20.2*	*8.2*	*11.6*	*14.9*
Net	*(41.0)*	*18.8*	*7.4*	*10.5*	*13.5*

Balance Sheet (HK$m)	05A	06A	07F	08F	09F
Year to Dec					
Fixed assets	119.9	99.3	106.3	112.5	118.0
Intangible assets	33.8	37.2	40.9	45.0	49.5
Other LT assets	39.5	39.5	39.5	39.5	39.5
Cash	20.0	14.4	12.6	6.5	19.5
Accounts receivable	237.4	233.8	318.3	346.8	373.6
Other receivables	-	-	-	-	-
Inventories	73.2	129.0	148.5	161.9	174.4
Due from related co.s	-	-	-	-	-
Other current assets	1.2	-	-	-	-
Total assets	**525.0**	**553.2**	**666.0**	**712.2**	**774.5**
Accounts payable	(78.0)	(72.3)	(112.7)	(118.8)	(123.2)
Other payable	0.0	0.0	0.0	0.0	0.0
Tax payable	(0.7)	(4.6)	(2.9)	(4.4)	(6.1)
Due to related co.s	0.0	0.0	0.0	0.0	0.0
ST debts	(197.5)	(167.0)	(116.9)	(81.8)	(40.9)
Other current liab.	(16.6)	(11.5)	(3.4)	0.0	0.0
LT debts	(11.4)	(15.5)	(19.4)	(23.2)	(25.6)
Other LT liabilities	(12.4)	(5.2)	(1.1)	(1.7)	(2.4)
Total liabilities	**(316.6)**	**(276.1)**	**(256.4)**	**(230.1)**	**(198.2)**
Share capital	68.7	68.7	68.7	68.7	68.7
Reserves	139.7	208.4	340.9	413.4	507.5
Shareholders' funds	**208.4**	**277.1**	**409.6**	**482.1**	**576.2**
Minority interest	-	-	-	-	-
Total	**208.4**	**277.1**	**409.6**	**482.1**	**576.2**
Capital employed	417.3	459.6	545.9	587.2	642.7
Net (debt)/cash	(188.9)	(168.1)	(123.7)	(98.5)	(47.0)

Cash Flow (HK$m)	05A	06A	07F	08F	09F
Year to Dec					
EBIT	(121.5)	39.3	53.0	73.8	97.6
Depre./amort.	22.0	20.5	18.1	18.9	19.6
Net int. paid	(12.5)	(16.7)	(9.5)	(6.6)	(4.5)
Tax paid	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)
Dividends received	-	-	-	-	-
Gross cashflow	**24.4**	**109.5**	**71.3**	**92.9**	**117.3**
Chgs. in working cap.	(21.1)	(39.0)	(63.8)	(36.0)	(35.2)
Operating cashflow	**3.3**	**70.5**	**7.5**	**56.9**	**82.1**
Capex	-	(21.0)	(20.0)	(20.0)	(20.0)
Free cashflow	**3.3**	**49.5**	**(12.5)**	**36.9**	**62.1**
Dividends paid	-	-	-	-	-
Net distribution to MI	-	-	-	-	-
Investments	(35.0)	(15.7)	(18.1)	(21.8)	(26.1)
Disposals	1.0	5.2	-	-	-
New shares	21.3	-	76.0	-	-
Others	(210.7)	(18.2)	(1.0)	10.0	15.5
Net cashflow	**(220.1)**	**20.8**	**44.4**	**25.2**	**51.5**
Net (debt)/cash - Beg.	31.2	(188.9)	(168.1)	(123.7)	(98.5)
Net (debt)/cash - End.	(188.9)	(168.1)	(123.7)	(98.5)	(47.0)

Interim Results (HK$m)	05A	06A
Six months to Jun		
Turnover	**190.2**	**167.6**
% chg	*8.5*	*(11.9)*
Profit from operations	17.5	19.2
Interest expenses	(5.1)	(10.5)
Associates	-	-
Jointly-controlled entit.	-	-
Pre-tax profit	**12.4**	**67.3***
Tax	(0.1)	(0.1)
Minority interests	-	-
Net profit	**12.3**	**67.2**
% chg	*19.4*	*446.3*
EPS (HK$) - Basic	0.018	0.098
DPS (HK$)	-	-

*Note: * Included the one off legal claim gain of HK$58.6*

Shareholding Structure	Shares o/s (m)	%
Helena and Jacky Ho	234.8	31.0
Art-Tech Enterprises Limited	72.8	8.9
Martin Currie	57.9	6.4
Nestor	50.1	6.1
Public	367.1	47.6
Total	**782.7**	**100.0**

Background

Listed in 1996, Jackin is engaged in three lines of business remanufacturing and sales of computer printing and imaging products; manufacturing and sales of data media products such as floppy disk and distribution and sales of data media products.

Key Ratios	05A	06A	07F	08F	09F
Net gearing (%)	90.6	69.2	36.0	22.1	8.9
Net ROE (%)	(51.3)	26.7	11.4	13.6	15.8
EBIT ROCE (%)	(58.2)	9.0	10.5	13.0	15.9
Dividend payout (%)	0.0	-	-	-	-
Effective tax rate (%)	(0.9)	6.9	10.0	10.0	10.0
Net interest coverage (x)	na	2.4	5.6	11.3	21.7
A/R turnover (days)	262.7	248.8	189.9	210.0	211.1
A/P turnover (days)	86.3	79.4	63.7	73.1	70.9
Stock turnover (days)	103.0	158.0	134.8	143.0	149.4