

Analyst: Kelvin Li

## **Main Board Listing – Research**

中國全通(控股)有限公司

China All Access (Holdings) Limited [Stock Code: 00633]
**Sole Sponsor** : Guotai Junan Capital

**Sole Global Coordinator, Bookrunner and Lead Manager** : Guotai Junan Securities

**Sector** : Software and services

**Business** : Provision of integrated information communication application solution and service

<b>Total share offer:</b> <u>250,000,000</u> shares (25.0% of the enlarged share capital) <b>Public Offer:</b> 25,000,000 shares (10%) <b>Placing:</b> 225,000,000 shares (90%) <b>Greenshoe:</b> 37,500,000 shares	<b><u>Business of China All Access</u></b> <p>The Group is mainly engaged in the design and development of information communication application solutions for its customers. The Group's application solutions include satellite communication application solutions, wireless data communication application solutions and call centre application solutions. It also provides after-sales services to customers like management, upgrade and maintenance of the application solutions.</p> <p>The Group's clients included governmental departments or agencies, public utilities institutions and business enterprises in the Mainland.</p> <p>The Group's main office is located in Shijiazhuang, Hebei Province. It also established a sales office in Shanghai since Oct 2007. Besides, the Group also leased from SkyComm, a satellite and wireless telecom network operator, an office in Beijing for the operational centre of its ALL ACCESS platform and sales office.</p>
<b>Price:</b> HK\$1.38 – HK\$1.78 per share <b>Market Cap:</b> HK\$1.38 billion – HK\$1.78 billion <b>Pro forma fully diluted FY08 P/E:</b> 17.9x – 23.0x <b>Company guidance on 1H09E net profit:</b> not less than RMB18 million <b>Adjusted NTA per share:</b> RMB0.41 – RMB0.49 <b>Staffing:</b> 125 (as of 31 <sup>st</sup> Aug 2009)	
<b>HK Public Offer period:</b> 4 <sup>th</sup> September 2009 – 9 <sup>th</sup> September 2009 noon <b>Receiving bank:</b> Bank of Communications (HK) Wing Lung Bank <b>Share registrar:</b> Union Registrars Ltd. <b>Listing date:</b> 16 <sup>th</sup> September 2009	

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

Mr Chan Yuen Ming – Chairman	43.53%
Atlantis – a UK-based fund management company	9.74%
FMG – a Bermuda-listed open-ended investment company	0.61%
Profit Concept – owned by Ms. Wang Yan Yun, an independent 3 <sup>rd</sup> party	5.25%
Even Grow – owned by Ms. Tam Siu Fun Yeko, an independent 3 <sup>rd</sup> party	5.25%
Chengwei – a venture capital	10.62%
Public shareholders	25.00%
	<u>100.00%</u>

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**Use of Proceeds**

Net proceeds from the offer are estimated to be HK\$345.5 million (based on an offer price of HK\$1.58, being the mid-point of the indicative price range and assuming the over-allotment option is not exercised)

	% of total
For the development of a new satellite communication application solution	47
To upgrade and promote Traffic Offence Electronic Ticketing & Payment Solution	13
To increased the number of demo products	15
To upgrade and set up new offices	10
For staff recruitment	5
For general working capital.	10

**Financial Highlights**

	Year ended 31 <sup>st</sup> Dec			5 months ended	
	2006	2007	2008	31 <sup>st</sup> May 2008	31 <sup>st</sup> May 2009
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Revenue	53,870	127,052	187,074	8,261	47,280
Gross profit	21,791	50,671	82,989	4,388	13,891
Operating profit	19,627	47,094	76,650	2,385	11,180
<b>Profit attributable to shareholders</b>	<b>15,255</b>	<b>46,479</b>	<b>67,796</b>	<b>1,222</b>	<b>6,942</b>
Gross profit margin	40.5%	39.9%	44.4%	53.1%	29.4%
Operating profit margin	36.4%	37.1%	41.0%	28.9%	23.6%
Net profit margin	28.3%	36.6%	36.2%	14.8%	14.7%
	31/12/2006	31/12/2007	31/12/2008	31/5/2008	31/5/2009
Net debt to Equity	N/A	N/A	28.6%	N/A	4.7%

**Breakdown of turnover in terms of customer group**

	2006		2007		2008		5M2009	
	(RMB mln)	%	(RMB mln)	%	(RMB mln)	%	(RMB mln)	%
Governmental department or agency	44.5	83%	63.1	50%	68.6	37%	8.8	19%
Public utilities institution	5.0	9%	2.1	2%	2.4	1%	0.4	1%
Business enterprise	4.4	8%	61.8	48%	116.1	62%	38.1	80%
<b>Total</b>	<b>53.9</b>	<b>100%</b>	<b>127.1</b>	<b>100%</b>	<b>187.1</b>	<b>100%</b>	<b>47.3</b>	<b>100%</b>

**Strengths/Opportunities**

- ✓ The Group has started the distribution of StealthRay products, a two-way satellite system to provide communications for vehicles in motion in the PRC, Hong Kong and Macau, since May 2007, which showed solid revenue and profit contribution in 2008.

**Weaknesses/Threats**

- × The Group has been working closely with SkyComm Group to provide satellite and wireless telecommunications services to their respective clients. Simply speaking, SkyComm mainly provides its clients with hardware services, while the Group provides its customers with software/application solutions. If customers move away from using SkyComm's services, it may also lead to a hit on the Group's business.
- × The exclusive distributorship of StealthRay satellite antenna has helped boost the demand for the Group's satellite communication application and so its revenue since 2007. The sale of StealthRay products and provision of satellite application solutions related to the products accounted for 49% of the Group's revenue and 54% of gross profit in FY08. Failure of extension of the exclusive distributorship may hurt the Group's business volume.

**Recommendation:** **Caveat Emptor**



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