

**BEA securities**

EAST ASIA SECURITIES COMPANY LIMITED

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**HONG KONG RESEARCH****30<sup>th</sup> June 2008****Analyst: Sabina Cheng****Main Board Listing – Research****iOne Holdings Limited [Stock Code:00982] 卓智控股有限公司****Sponsors**: Baron Capital Limited  
: Sun Hung Kai Financial**Lead Manager and Bookrunner**

: Baron Capital Limited

**Sector** : Printing services**Business** : Provision of financial printing services for the financial sector in Hong Kong

<b>Total share offer:</b> * <u>60,000,000</u> shares <b>(26.07% of the enlarged share capital)</b>  <b>Public Offer:</b> 6,252,000 shares (10%) <b>Placing:</b> 23,748,000 shares (90%) <i>*Comprising 30,000,000 New Shares and 30,000,000 Sale Shares</i>	<b><u>Business of iOne</u></b>  iOne principally engages in the provision of financial printing services for the financial sector in Hong Kong which include mainly the printing of IPO prospectus, financial reports, company announcements, circulars, legal compliance documents, research reports, corporate brochures and newsletters.  Majority of the customers are companies listed on the Stock Exchange and corporate communication and investor relations companies. The Group provides a range of integrated services to its customers ranging from typesetting, translation process are subcontracted to a panel of subcontractors for higher efficiency and capital saving purpose.  For the financial year ended 31 <sup>st</sup> Dec 2007, the Group handled and completed printing services for 18 IPO prospectus and ancillary forms, and over 500 financial reports amongst many other documents.  For each of the three financial years ended 31 <sup>st</sup> Dec 2007, the Group's turnover was approximately HK\$116.9 million, HK\$199.1 million and HK\$370.1 million, respectively. Meanwhile, the Group recorded profit of approximately HK\$24.4 million, HK\$48.1 million and HK\$89.4 million, respectively.
<b>Price:</b> HK\$1.60 per share  <b>Market Cap:</b> HK\$368 million  <b>Adjusted NTA per share:</b> HK\$ 34 cents  <b>Staffing:</b> 174 (as of 23 <sup>rd</sup> June 2008)	
<b>HK Public Offer period:</b> 30 <sup>th</sup> June 2008 – 4 <sup>th</sup> July 2008  <b>Receiving banks:</b> Standard Chartered Bank (HK) Limited  <b>Principal share registrar &amp; transfer office:</b> Butterfield Fund Services (Bermuda) Limited  <b>Hong Kong branch share registrar &amp; transfer office:</b> Tricor Investor Services Limited  <b>Listing date:</b> 14 <sup>th</sup> July 2008	

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**Shareholding Structure after Listing** (Assuming the over-allotment option is not exercised)

Brilliant Eagle (A company owned by Ms. Ng Wing Mee, Denise (executive director & Chairman) and her spouse, Mr. Ip Mo Leung, Gary, Ms. Chiu Hok Yu (executive director), Ms. Lai Bo Kei, Mr. Lam Wing Hong, Jimmy and Ms. Chan Che Ching)	53.22%
Goldfish Ventures Limited (A company owned by Ms. Yeung Wing Yan, Wendy, Mr. Tsang Link Carl, Brian and Mr. Yih Lai Tak, Dieter)	8.87%
New Court Management Inc (A company is beneficially owned by Ms. Yu Tak Yee solely)	2.96%
Interasia Ventures Limited (A company is beneficially owned by Ms. Wong Yee Mei solely)	2.96%
Eternal Fortune Management Limited and Twin Luck Worldwide Holdings Limited (Companies beneficially owned by Ms. Kong Yee Ching, Ellen)	5.92%
Public Investors	26.07%
	<u>100.00%</u>

**Use of Proceeds**

Net proceeds from the offer are estimated to be HK\$40.5 million (Assuming the over-allotment option is not exercised, and at an issue price of HK\$1.60 each)

	HK\$ million
For the expansion of the production capabilities by upgrading and /or purchase of sophisticated equipment, software and production facilities	15
For expanding the translation operation in PRC	6.5
For setting up or acquiring a backup production hub in PRC	6.5
For setting up a representative office in Beijing, PRC for exploring business opportunities and developing business network	6.5
For the general working capital of the Group	6

**Financial Highlights**

	Year ended 31st December		
	2005 HKD'000	2006 HKD'000	2007 HKD'000
Turnover	116,947	199,087	370,064
Gross profit	42,256	85,591	190,726
Operating profit	29,869	57,252	109,617
<b>Profits attributable to shareholders</b>	<b>24,439</b>	<b>48,098</b>	<b>89,446</b>
Gross margin	36.13%	42.99%	51.54%
Operating margin	25.54%	28.76%	29.62%
Net margin	20.90%	24.16%	24.17%

**Revenue by business segment**

	Year ended 31 <sup>st</sup> December					
	2005 HKD'000	%	2006 HKD'000	%	2007 HKD'000	%
Printing services	49,992	42.7%	99,810	50.1%	245,099	66.2%
Advertising	52,621	45.0%	80,992	40.7%	95,657	25.8%
Translations	14,334	12.3%	18,285	9.2%	29,308	8.0%
<b>Total</b>	<b>116,947</b>	<b>100.0%</b>	<b>199,087</b>	<b>100.0%</b>	<b>370,064</b>	<b>100.0%</b>



## **Strengths/Opportunities**

- ✓ **Good business performance in the printing of IPO's prospectus, financial reports and advertising of paid announcements** The number of prospectus handled by the Group during the financial year ended 31<sup>st</sup> Dec 2007 was 18, representing approximately 21% of newly listed companies in Hong Kong. Meanwhile, the Group conducted businesses with 319 listed companies for the printing of financial reports and advertising of paid announcements, representing about 26% of the total number of companies listed on the Stock Exchange.
- ✓ **Design capabilities** The Group has a dedicated team of designers to assist its customers in designing financial reports. The design team has won a number of awards including International ARC Awards, Astrid Awards, Galaxy Awards and Mercury Awards.

## **Weaknesses/Threats**

- × **No long-term contracts with its customers** As of 23<sup>rd</sup> June 2008, there were 1,244 companies listed on the Stock Exchange and the Group had conducted business transactions with over 300 listed issuers in the past.
- × **The Group may not be able to sustain high profit margins** As of 31<sup>st</sup> December 2007, the Group reported gross profit margin, operating profit margin and net profit margin of 51.54%, 29.62% and 24.17%, respectively.
- × **Dividends paid in the past may not be indicative of the amounts of future dividend payments or the Company's future dividend policy** The Group declared dividends in the amounts of HK\$180 million, HK\$37.3 million and HK\$80.2 million, respectively, representing approximately 73.8% 77.5% and 89.7% of the Group's net profit respectively.
- × **The Group may be adversely affected by changes in the laws and regulations governing the companies listed on the Stock Exchange** In April 2008, "Joint Consultation Paper on the Proposal to allow a Companies Ordinance (CO) Offeror to issue a CO Paper Application Form for Shares in or Debentures of a Company to be listed on SEHK, and a Collective Investment Scheme (CIS) Offeror to supply a CIS Paper Application Form for Interests in an SFC-authorised CIS to be listed on SEHK, with a Listing Document Displayed on Certain Websites" was issued. The shares of the Group's total revenues derived from IPOs were 9.4%, 17.4% and 38.4%, respectively for the 3 financial years ended 31<sup>st</sup> Dec 2007. Should the recommendation under the consultation be implemented, the Group's revenue should be negatively impacted going forwards.
- × **The Group may be adversely affected by the protest of the environmental groups on excessive printing materials.**
- × **The Group does not have its own printing facilities or machineries to provide integrated and complete printing services to its customers.**

**Recommendation:     Neutral**

**Important Disclosure / Analyst Certification / Disclaimer**

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