

Key Data

Share price (HK\$)	1.82
Target price (HK\$)	n.a.
Upside potential (%)	n.a.
52Wk H/L(HK\$)	2.02/1.82
Issued shares (mn)	2,826
Market cap (HK\$mn)	5,144
3-mth ave daily turnover (HK\$ mn)	13
Auditors	BDO Ltd.
Major shareholder (%)	
CHEN Hong	20.02

Share performance (%)

	Absolute	Relative*
1-mth	8.33	2.18
3-mth	8.98	(6.71)
6-mth	16.67	(13.29)

Source: Bloomberg

* Relative to HSCEI Index

1 year price performance



Source: Bloomberg

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Previous report

Date: n.a.

Rating - Unrated

Anxin-China (1149 HK) – Unrated
Information Technology

Promising and leading ISS and ISD provider in China

Anxin-China is a leading system provider in the production safety industry. It provides both ISS (“Intelligent Safety Systems”) and ISD (“Intelligent Surveillance, Disaster Alert and Rescue Coordination”) services and products to governments and enterprises across China. The Group applies “Internet-of-things” technology to link up work sites and monitoring centers. The ISD market in various industries is largely untapped and has tremendous growth potential. We expect the Group to benefit from this new market trend.

Sector demand: In 2008, the statistics-gathering questionnaires used by China’s State Administration of Work Safety categorized 31 origins of peril for the purpose of monitoring industrial production safety. These origins of peril can be further translated into more than 1 million surveillance points in both coal mining and multi-industry markets. However, until recently, there is about 70% of the coal mining ISD market is still untapped; while the multi-industry ISD markets are almost untapped.

The strength of the counter:

- Strong tech background:** the Group is one of the first movers and currently a leader in the ISD industry, with patent-protected algorithm. The Group has developed a solid research team with different knowledge across industries and can meet demands across industries.
- Strong strategic partner:** the Group has entered into a strategic partnership with Infinity Group, an Israel PE firm with strong property resources and broad relationship with China’s local governments and China Development Bank.
- Good tracking records:** the Group has established credible business track records with local governments which are crucial to new business development.

Valuation looks attractive. The counter’s 2013F P/E and P/B are 3.84 and 1.0 respectively, based on the market valuation from Bloomberg.

Risk factors: 1) high profit margin would attract new competitors such as ZTE and Huawei; 2) local governments may not fully follow central government’s safety policies.

Forecast and Valuation

FY ended Dec 31	2010A	2011A	2012F	2013F
Turnover (Rmb mn)	305	598	957	1460
Chg (% YoY)	116	96	45	53
GP Margin (%)	85	90	90	90
Net Income (Rmb mn)	171	404	685	1085
Chg (% YoY)	111	136	70	58
EPS (Rmb)	0.16	0.16	0.24	0.38
Chg (% YoY)	n.a.	0.00	46.3	58.3
P/E (x)	–	9.12	6.08	3.84
P/B (x)	–	1.6	1.3	1.0

Source: Company, Bloomberg, ABCI Securities estimates (assuming Rmb1.0=HK\$1.25)

Disclosures

Analyst Certification

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Definition of equity rating

Rating	Definition
Buy	Stock return \geq Market return rate
Hold	Market return $- 6\% \leq$ Stock return $<$ Market return rate
Sell	Stock return $<$ Market return $- 6\%$

Stock return is defined as the expected % change of share price plus gross dividend yield over the next 12 months

Market return: 5-year average market return rate from 2007-2011

Time horizon of share price target: 12-month

Definition of share price risk

Rating	Definition
Very high	$2.6 \leq$ 180 day volatility/180 day benchmark index volatility
High	$1.5 \leq$ 180 day volatility/180 day benchmark index volatility $<$ 2.6
Medium	$1.0 \leq$ 180 day volatility/180 day benchmark index volatility $<$ 1.5
Low	180 day volatility/180 day benchmark index volatility $<$ 1.0

We measure share price risk by its volatility relative to volatility of benchmark index. Benchmark index: Hang Seng Index.

Volatility is calculated from the standard deviation of day to day logarithmic historic price change. The 180-day price volatility equals the annualized standard deviation of the relative price change for the 180 most recent trading days closing price.

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