

IPO write-up

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Stock Information

Stock code:	1678 HK
Issue size:	360m shares (all new shares)
Green shoe option:	15%
Public/Placement tranche:	10%/90%
Share issue price:	HKD1.80-2.35
Market cap after listing:	HKD3,240-4,230m
Use of proceeds (net):	HKD698.6m, 53.7% machinery and equipment, 16.0% establish concept shops, 7.3% expanding overseas sales network, 7.0% brand promotion, 6.0% strengthen technical expertise, 10.0% general working capital
Application list open	10th- 13th Dec 2013
Expected listing date:	20th Dec 2013
Book runners:	Guotai Junan International
Profit forecast:	FY13 net profit no less than CNY295.0m
Dividend policy:	No fixed dividend policy (indicative only)
PER:	9.0-11.8x pro forma fully diluted PER (prospectus)
Post IPO shareholders	Founder Chen Fanglin (69.4%) Ocean Equity (5.3%), Clear Zone (5.3%)
Cornerstone investors	Chow Tai Fook Nominee and Mr. Cheung Chung Kiu. Total investment USD20m, 4.2% of post-IPO share capital, or 20.8% of offer shares.

China Creative Home

Company background

China Creative Home (CCH) is principally engaged in the design, development, manufacture and sale of electric fireplaces and home decor products. Its electric fireplaces and home decor products are designed and developed with appealing design and functionality. The company aims to create new and diversified products with artistic design and functionality to enhance the quality of the users' surroundings that will reflect their furnishing styles. Its Allen (亞倫) brand was accredited as a Well-known Trademark of the PRC (中國馳名商標) in respect of its home decor products by the SAIC in 2011 and a Famous Trademark of Fujian Province (福建省著名商標) in respect of its electric fireplaces by the Administration for Industry and Commerce of Fujian in 2012.

Selling points and strength

- 1) The Allen (亞倫) brand is well recognized in the industry.
- 2) CCH is one of the leading branded electric fireplace manufacturers in the PRC.
- 3) CCH has the capabilities in product design and development.

Some points of concern

- 1) Future success may largely depend on the market recognition of its brand as products under own brand are principally sold in the PRC and accounted for most of its revenue and also have a higher gross profit margin compared to the products sold to overseas customers on ODM/OEM basis.
- 2) Expansion of the production facilities may not be as successful as planned or such expansion may involve certain risks.
- 3) CCH may not be successful in product enhancement and new product development, in particular electric fireplaces, which had primarily fueled the growth of revenue.

Financial Summary (Year ended Dec 31)

CNY'000	FY2010	FY2011	FY2012	1H13
Revenue	751,819	804,072	969,026	493,891
Electric fireplaces	192,230	243,127	436,858	255,364
Home decor products	559,589	560,945	532,168	238,527
Gross profit	322,520	331,230	428,197	225,133
Electric fireplaces	93,940	111,284	215,057	129,511
Home decor products	228,580	219,946	213,140	95,622
Gross profit margin (%)	42.9%	41.2%	44.2%	45.6%
Electric fireplaces	48.9%	45.8%	49.2%	50.7%
Home decor products	40.8%	39.2%	40.1%	40.1%
Net profit	218,943	218,261	261,629	129,538
Net profit margin (%)	29.1%	27.1%	27.0%	26.2%

Source: Company data, Maybank Kim Eng

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