

## IPO write-up

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### Stock Information

Stock code:	1448 HK
Issue size:	500m shares (all new shares)
Green shoe option:	15%
Public/Placement tranche:	10%/90%
Share issue price:	HKD2.88-3.33
Market cap after listing:	HKD5,760-6,660m
Use of proceeds (net):	HKD1,460m, 52% develop new cemeteries, 15% set up new funeral facilities, 3% expand coverage of sales network, 20% potential M&A, 10% general working capital
Application list open	9th- 12th Dec 2013
Expected listing date:	19th Dec 2013
Book runners:	Citi, UBS, CIMB
Profit forecast:	N/A
Dividend policy:	No less than 25% payout ratio starting FY14 (indicative only)
PER:	23-27x 1H13A annualized PER
Post IPO shareholders	Tan Tize Shune (26.25%), Chief Union (24.15%), Ge Qiansong(5.97%)
Cornerstone investors	Carlyle Asia, Cinda International, China Cinda (HK) (111 HK) and Farallon. Total investment USD45m, 5.6% of post-IPO share capital, 22.5% of offer shares.

## Fu Shou Yuan

### Company background

Fu Shou Yuan (“FSY”) was the largest provider of death care services in the PRC in terms of revenue and geographical coverage in the years ended December 31, 2010, 2011 and 2012. FSY was one of the first private company entrants into the PRC death care services industry when it began operating a cemetery in Shanghai in 1994. Through almost 20 years of growth in operations and enhancement of the quality of services, FSY have expanded operations to provide premium death care services in major cities in eight provinces of the PRC. The company believes it has become a leader in the death care services industry and that its emphasis on the quality of death care services has made FSY a benchmark of the industry that others seek to emulate. This is exemplified by FSY’s cooperation with certain PRC governmental entities to be the provider of training to other industry participants.

### Selling points and strength

- 1) Leader in the death care services industry in the PRC.
- 2) Successful consolidator in a rapidly growing industry in the PRC.
- 3) Ability to satisfy customers’ needs through provision of professional and customized services.
- 4) Presence in strategic locations within certain major cities in the PRC.

### Some points of concern

- 1) FSY may not be able to sustain premium pricing for its death care service offerings, which may adversely affect its profit margins.
- 2) Business operations are subject to regulatory controls.

### Financial Summary (Year ended Dec 31)

CNY’000	FY2010	FY2011	FY2012	1H13
Revenue	350,470	421,420	479,977	306,656
Cost of sales and services	(67,783)	(77,628)	(93,659)	(60,217)
Gross profit	282,687	343,792	386,318	246,439
Net profit	113,668	141,575	138,201	118,137
Attributable profit	104,253	130,692	124,270	99,595
Gross profit margin (%)	80.7	81.6	80.5	80.4
Net profit margin (%)	32.4	33.6	28.8	38.5

Source: Company data, Maybank Kim Eng

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