

## IPO write-up

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### Stock Information

|                           |  |
|---------------------------|--|
| Stock code:               | 1819 HK  |
| Issue size:               | 133.34m shares (all new shares)  |
| Green shoe option:        | 15%  |
| Public/Placement tranche: | 10%/90%  |
| Share issue price:        | HKD7.17-10.04  |
| Market cap after listing: | HKD3,824.0-5,354.7m  |
| Use of proceeds (net):    | HKD1,064.0m, 60% maintaining and expansion of existing sales channels, 25% overseas expansion, 10% improve and enhance information systems, 5% general working capital |
| Application list open     | 10th- 13th Dec 2013  |
| Expected listing date:    | 20th Dec 2013  |
| Book runners:             | CITIC International, Macquarie   |
| Profit forecast:          | FY13 net profit no less than CNY402.8m   |
| Dividend policy:          | No less than 20% payout ratio (indicative only)  |
| PER:                      | 7.6-10.6x FY13E PER (based on profit forecast)   |
| Post IPO shareholders     | Founder Mr. Lam Wo Ping (65.85%)   |
| Cornerstone investors     | China Haidian (256 HK), and Zhejiang Haining Jiahui Investment. Total investment USD45m, 7.5% of post-IPO share capital, or 30.1% of offer shares.                     |

## Fuguiniao

### Company background

Fuguiniao (“FGN”) is a major, established manufacturer and seller of footwear and a well-known seller of business casual menswear in China. FGN was the 3<sup>rd</sup> largest manufacturer of branded business casual footwear products and the 6<sup>th</sup> largest manufacturer of branded men’s and women’s footwear products in the PRC in terms of retail revenue for the year ended 31 December 2012, with a market share of 4.1% and 2.3%, respectively. The overall PRC footwear market consists of (i) men’s and women’s footwear, (ii) sports footwear and (iii) children’s shoes. FGN’s business focuses primarily on the men’s and women’s footwear sector, which can be further categorized into three segments: (i) formal footwear, (ii) business casual footwear and (iii) sports casual footwear. Approximately 14.5%, 8.9% and 7.5% of the retail revenue of the overall PRC footwear market was attributable to branded business casual footwear, formal footwear and sports casual footwear segments for the year ended 31 December 2012.

### Selling points and strength

- 1) Leading, long-established PRC business casual footwear brand.
- 2) Strong product design and development capabilities and superior product quality.
- 3) Diversified product portfolio.
- 4) Extensive nationwide retail network in the PRC with diversified sales channels.

### Some points of concern

- 1) Failure to successfully promote its brand or maintain goodwill may materially and adversely affect business and results of operations.
- 2) FGN’s success depends on the success of distributors.
- 3) FGN relies on a small number of distributors for the sale of products and failure to renew distributorship agreements with major distributors or any breach of such distributorship agreements by them may materially and adversely affect results of operations.

### Financial Summary (Year ended Dec 31)

| CNY’000                 | FY2010    | FY2011      | FY2012      | 1H13      |
|-------------------------|-----------|-------------|-------------|-----------|
| Turnover                | 1,070,090 | 1,651,560   | 1,932,129   | 1,084,406 |
| Cost of sales           | (787,145) | (1,139,505) | (1,279,833) | (666,208) |
| Gross profit            | 282,945   | 512,055     | 652,296     | 418,198   |
| Net profit              | 118,741   | 253,854     | 323,587     | 209,000   |
| Gross profit margin (%) | 26.4%     | 31.0%       | 33.8%       | 38.6%     |
| Net profit margin (%)   | 11.1%     | 15.4%       | 16.7%       | 19.3%     |

Source: Company data, Maybank Kim Eng

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