

## IPO write-up

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### Stock Information

Stock code:	1353 HK
Issue size:	150m shares (all new shares)
Green shoe option:	15%
Public/Placement tranche:	10%/90%
Share issue price:	HKD2.03-2.88
Market cap after listing:	HKD1,218-1,728m
Use of proceeds (net):	HKD321.4m. 70% expand sales network, 20% R&D, 10% general working capital.
Application list open	30 Dec 2013 - 3 Jan 2014
Expected listing date:	9 Jan 2014
Book runners:	CCBI, BOCI, RHB-OSK
Profit forecast:	FY13 net profit no less than CNY80.2m
Dividend policy:	No less than 20% payout ratio (indicative only)
PER:	12-17x FY13E PER, based on profit forecast
Post IPO shareholders	Founders Ding's brothers (47.5%)
Cornerstone investors	Evergreen (238 HK), investment amount HKD64m, 17.3% of offer sales, or 4.3% of post-IPO share capital.

## Fujian Nuoqi

### Company background

Fujian Nuoqi ("Nuoqi") is a rapidly expanding men's fashion casual wear apparel company in the PRC. The company offers a wide range of men's fashion casual wear products such as jackets, sweaters, shirts, T-shirts, trousers, shoes and accessories under its own brand, N&Q. Nuoqi targets customers who are primarily young and middle-aged men from the age of 25 to 40 in the PRC.

### Selling points and strength

- 1) Nuoqi adopts a market-driven fast fashion business model that enables it to accurately identify the latest customer preferences and effectively plan and supply products to meet market demands, while offering greater operational flexibility to retail points in terms of product ordering.
- 2) The company has an attractive customer membership programme with an established membership database allowing it to launch products which best meet consumer preferences and conduct targeted marketing.
- 3) Nuoqi manages self-operated and franchised retail points on an integrated and common platform to ensure consistent branding, quality control and customer service.
- 4) Nuoqi is well-positioned to capitalize on the fast-growing PRC men's fashion casual wear market due to its strategic network of self-operated and franchised retail points.

### Some points of concern

- 1) The company relies on franchisees for the sale of a large portion of its products.
- 2) Nuoqi relies on third-party manufacturers for the production of all products and for the design of some products.
- 3) Most of its products are sold to members in customer membership programme, and the company may not be able to successfully retain its existing members or attract new members.

### Financial Summary (Year ended Dec 31)

CNY'000	FY10	FY11	FY12	1H13
Turnover	322,166	467,778	572,138	316,099
Gross profit	127,347	204,179	258,893	146,345
Profit before tax	62,035	92,947	108,846	62,124
Net profit	45,662	68,358	81,698	46,706
Gross profit margin (%)	39.5	43.6	45.3	46.3
Net profit margin (%)	14.2	14.6	14.3	14.8

Source: Company data, Maybank Kim Eng

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