

IPO write-up

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Stock Information

Stock code:	1622 HK
Issue size:	400m shares (all new shares)
Green shoe option:	15%
Public/Placement tranche:	10%/90%
Share issue price:	HKD2.1-2.6
Market cap after listing:	HKD3,360-4,160m
Use of proceeds (net):	HKD865m, 90% pay land premium, 10% general working capital
Application list open	21 Jan- 24 Jan
Expected listing date:	30 Jan
Book runners:	ICBCI, Kingston Securities
Profit forecast:	FY13 net profit no less than CNY400m
Dividend policy:	20% dividend payout ratio (indicative only)
PER:	6.6-8.2x FY13E PER, based on profit forecast
Post IPO shareholders	Founder Mr. Wong (45%), Huang Ruoqing (30%)
Cornerstone investors	N/A

Redco Properties

Company background

Redco Properties (“Redco”) is an integrated residential and commercial property developer primarily focusing on residential property development in the PRC. The company has successfully established its presence in a number of key economic cities in the Greater Western Taiwan Straits Economic Zone, the Bohai Economic Rim and the Central and Western Regions including Nanchang, Tianjin, Jinan, Yantai, Hefei and Xianyang.

Selling points and strength

- 1) Redco has demonstrated a proven track record of multi-regional success by focusing on key economic cities of the Greater Western Taiwan Straits Economic Zone, the Bohai Economic Rim and the Central and Western Regions.
- 2) Redco has been successful in establishing the “Redco” brand in the cities where the company has built its presence.
- 3) Redco’s standardised property designs and business protocols allow it to swiftly capture new market opportunities in the key economic cities.

Some points of concern

- 1) Business and revenue growth is dependent on favourable economic conditions in the PRC, particularly the performance of the PRC residential property market in the cities in which Redco develops property development projects, and therefore any potential decline in demand for properties, property sales or property prices in the PRC, particularly in the cities where it has operations, could have a material adverse effect on business, results of operations and financial condition.
- 2) Redco may not be able to identify suitable land or acquire land use rights for future development at reasonable prices, or at all, and if that happens, business, results of operations and financial condition as well as prospects may be materially and adversely affected.

Financial Summary (Year ended Dec 31)

CNY’000	FY10	FY11	FY12	9M13
Turnover	1,528,300	1,355,999	1,550,942	2,142,774
Gross profit	328,244	269,134	458,164	720,431
Attributable profit	117,535	85,420	65,771	270,078
Gross profit margin (%)	21.5%	19.8%	29.5%	33.6%
Net profit margin (%)	9.3%	7.5%	10.6%	12.8%
CFA delivered (sq. m)	303,215	304,831	260,660	321,604
ASP (CNY/sq. m)	5,040	4,448	5,950	6,663

Source: Company data, Maybank Kim Eng

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