

IPO FACT SHEET
Jilin Province Chuncheng Heating Company Limited (1853)
ISSUE STATISTICS

Offer Size:	HK\$221.73m – HK\$291.75m
Placement Tranche:	116.7m
Price:	HK\$1.90– HK\$2.50
Board lot:	2,500
Entry fee:	HK\$6,312.98
Historical PE	7.8x – 10.3x
Net tangible asset per share:	HK\$1.84 – HK\$1.98
Market Cap (post-IPO):	HK\$886.73m – HK\$1,166.75m
Open:	27 Sep 2019
Close:	12.00 noon on 17 Oct 2019
Trading:	24 Oct 2019
Sponsor:	BOCI Asia Limited

Year ended 31 Dec	(RMB'000)	yoy % chg
Revenue		
2017	1,108,373	30.6%
2018	1,440,159	29.9%
Profit for the year		
2017	85,832	17.9%
2018	102,677	19.6%

BACKGROUND

- The Group is the largest heat service provider in Jilin Province in terms of heat service area in 2018, according to the Frost & Sullivan Report.
- Heat supply is their core business, which has more than 20 years of operating history in Changchun.
- They have established a leading position and extensive experience in the heat supply industry in Changchun and Jilin Province. They also offer construction, maintenance and design services which include (i) engineering construction, (ii) engineering maintenance, (iii) design services, and (iv) electrical and instrument maintenance and repair.
- Their construction, maintenance and design services, together with their heat supply, cover a wide spectrum of services of the industrial chain.

BUSINESS STRATEGIES

- Further enhance their smart heating network system and improve operational efficiency.
- Continue to strengthen their construction, maintenance and design services capabilities.
- Proactively seek potential opportunities in heat supply industry and strategically increase their market share within and outside Jilin Province.

COMPETITIVE STRENGTHS

- They were the largest heat service provider in Jilin Province in 2018 with leading market position and they operate in the heat supply market where there are significant barriers to entry.
- Their heat is currently fully sourced from the local cogeneration plants, which allows us to benefit from the cost effectiveness of this heat source.
- They have adopted a smart heating network system, which allows us to conduct their heat supply business precisely and efficiently.
- Their heat supply business has a long history in Changchun with strong brand recognition and they are a comprehensive heat supply-related service provider.

- They have an experienced and committed management team.

KEY RISKS

- Any shortage of, disruption or suspension to, the supply of heat to us from the cogeneration plants could materially and adversely affect their heat supply business.
- They completely ceased heat production by coal-fired boilers in April 2018. Hence, their historical results of operation and financial position in their heat supply business may not be indicative of their future performance.
- They are subject to potential adverse consequences due to users' title defects associated with certain heat exchange stations they use to install heating equipment, which may materially and adversely affect their heat supply business.
- They do not have control over the pricing of heat supply and construction, maintenance and design services which are both restricted by the PRC Government and their profit may be materially and adversely affected if the price adjustments are not proportionate to the increase of their cost.
- Their results of operations could be adversely affected if they are no longer entitled to the government grants currently or previously available to us.

DIVIDEND POLICY

- Dividend payout ratio of no less than 30% of their annual distributable net profit provided.

USE OF PROCEEDS

	HK mn	As a percentage of gross proceeds from the Invitation
Further increasing the level of automation in their heat supply business by enhancing their smart heating network system.	80.5	41.0%
Upgrading and replacement of existing primary distribution pipelines and heat supply facilities.	80.5	41.0%
Used in their heat service area expansion to grow their heat supply business, including necessary construction of primary distribution pipelines and heat supply facilities	26.9	13.0%
For potential acquisitions of heat service companies to complement their existing heat supply operations.	9.6	5.0%
Total:	197.5	100.0%

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