

IPO FACT SHEET
Q P Group Holdings Limited (1412)
ISSUE STATISTICS

Offer Size:	HK\$139.65m – HK\$192.85m
Placement Tranche:	133m
Price:	HK\$1.05 – HK\$1.45
Board lot:	2,000
Entry fee:	HK\$2,929.22
Historical PE	10.95x – 15.13x
Net tangible asset per share:	HK\$1.09 – HK\$1.19
Market Cap (post-IPO):	HK\$558.6m – HK\$771.4m
Open:	31 Dec 2019
Close:	12.00 noon on 9 Jan 2020
Trading:	16 Jan 2020
Sponsor:	Guotai Junan Capital Limited

Year ended 31 Dec	(HKD'000)	yoy % chg
Revenue		
2017	1,079,630	21.8%
2018	1,162,979	7.7%
Profit for the year/period		
2017	78,889	-12.2%
2018	50,991	-35.4%

BACKGROUND

- They are a long-established paper product manufacturing and printing services provider with the capability to offer value-adding and customised product engineering services and printing solutions to their customers for a wide spectrum of products.
- They are headquartered in Hong Kong and as at the Latest Practicable Date, they operated two key production sites in the PRC, namely their Dongguan Factory and Heshan Factory.
- Their products can be categorised into five principal product categories: (i) tabletop games (including board games, card games and puzzles), (ii) greeting cards (including everyday cards and seasonal cards), (iii) educational items (including classroom learning kits and activities books), (iv) premium packaging, and (v) other products.
- According to the CIC Report, they ranked first in the paper-based tabletop game products and related products manufacturing market in the PRC with a market share of 2.7%, and second in the paper-based greeting cards manufacturing market in the PRC with a market share of 8.1%, both in terms of export value in 2018.
- According to the CIC Report, in 2018, the total sales value of paper-based tabletop games and greeting cards manufacturing market in the PRC in terms of ex-factory price amounted to USD1,941.9 million, 58.3% of which was exported overseas. For FY2016, FY2017, FY2018 and 6M2019, the sales of tabletop games and greeting cards in aggregate accounted for 82.0%, 82.3%, 81.3% and 85.0% of their revenue, respectively.

BUSINESS STRATEGIES

- Enhancing their production capacity and operational flexibility by (a) developing their production support in Southeast Asia through subcontracting arrangement; and subsequently (b) setting up their own production site in Vietnam.
- Optimising their product mix and production specialisation by (a) reallocating their production capacity to Heshan and enhancing their operational efficiency and (b) enlarging customer base in the tabletop games and educational items segments.
- Leveraging their technological capability to capture more business opportunities in Internet retailing and upgrade their IT infrastructure.

COMPETITIVE STRENGTHS

- They are a long-established paper product manufacturing and services provider.
- They have stable and long-term business relationships with their major customers, which comprise leading players in their respective

market segments.

- They have solid manufacturing and printing experience with comprehensive production capability.
- They are committed to technological development and the adoption of management tools to strengthen their competitiveness.
- They have a comprehensive quality management system.
- They have an experienced and dedicated management team with proven track record of leadership and execution.

KEY RISKS

- They experienced a decrease in their profitability for FY2016 to FY2018 primarily due to the incurrence of the non-recurring Listing expenses, costs in relation to relocation of their Hong Kong office, their undertaking of orders with lower profit margin, the appreciation of RMB, and the increase in paper cost, whereas the cost impacts of which they were not able to pass on the effect to their customers entirely and timely, and they recently acquired Taunus Printing.
- Their sales are geographically concentrated in the U.S. which are subject to higher tariff rates under the trade war between the U.S. and the PRC.
- They rely on sales to their top five customers which accounted for a significant portion of their revenue and the demand forecasts provided by such customers may change.
- Their largest customer accounted for over 30% of their total revenue during the Track Record Period.
- They are subject to the risk of foreign currency fluctuations.
- They may be subject to inventory obsolescence risk.
- Their goodwill is subject to impairment review and any goodwill impairment may negatively affect their reported results of operation.
- They generated a portion of their net profit from non-recurring nature of the sales of scrap materials, government grants, insurance claims and rental income during the Track Record Period.
- Their results of operations may fluctuate significantly from period to period due to fair value changes in derivative financial instruments.
- Their ability to optimise their product mix to produce products with higher profit margin is affected by the orders placed by their OEM customers.
- They rely on international markets, in particular the U.S..

DIVIDEND POLICY

- They expect to pay a dividend in respect of each financial year of not less than 30% of their distributable profits upon Listing each year.

USE OF PROCEEDS

	HK mn	As a percentage of gross proceeds from the Invitation
Will be used for enhancing their production capacity and operational flexibility.	63.4	52.5%
Will be used for optimising their product mix and production specialisation by, among others, reallocating their production capacity to Heshan and enhancing their operational efficiency.	30.2	25.0%
Will be used for leveraging their technological capability and upgrading their IT infrastructure.	14.1	11.7%
Will be used as working capital and other general corporate purposes.	13.1	10.8%
Total:	120.8	100.0%

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