

IPO FACT SHEET
Changsha Broad Homes Industrial Group Co., Ltd (2163)
ISSUE STATISTICS

Offer Size:	HK\$1,179.7m – HK\$1,520.9m
Placement Tranche:	121,868,000 H Shares
Price:	HK\$9.68 – HK\$12.48
Board lot:	300
Entry fee:	HK\$3,781.73
Historical PE	9.12x – 11.76x
Net tangible asset per share:	HK\$8.44 – HK\$9.11
Market Cap (post-IPO):	HK\$1,179.7m – HK\$1,520.9m (H Shares)
Open:	24 Oct 2019
Close:	12.00 noon on 29 Oct 2019
Trading:	6 Nov 2019
Sponsor:	China International Capital Corporation Hong Kong Securities Limited and China Securities (International) Corporate Finance Company Limited

Year ended 31 Dec	(RMB'000)	yoy % chg
Revenue		
2017	1,935,689	15.8%
2018	2,269,129	17.2%
Profit for the year / period		
2017	168,391	-14.8%
2018	466,304	176.9%

BACKGROUND

- They are the pioneer and leader in the industrialization of construction industry in the PRC.
- They have become a platform to provide comprehensive solutions of industrialization of construction industry in China, which comprises globalized, scalable, professionalized and intelligent manufacturing of prefabricated buildings and services.
- They conduct their business in three segments, namely PC unit manufacturing business, PC equipment manufacturing business and construction contracting business.
- In their PC unit manufacturing business, they provide customers with comprehensive solutions for prefabricated construction, including PC unit design, manufacturing and assembling consultation.
- In their PC equipment manufacturing business, they sell PC equipment and provide various related services to their customers, substantially all of whom are currently the Joint Factories in which they hold minority interest. The PC equipment sold by them is manufactured by OEM service providers based on their design and production methods whereas they did not participate in the manufacturing work of the PC equipment.
- In their construction contracting business, they, as a general construction contractor, perform the construction contract in accordance with designs and timetable provided by architectural design organization and the project owner.
- They were the largest prefabricated construction service provider equipped with capabilities in both PC unit manufacturing and PC equipment manufacturing in the world in terms of revenue in 2018. They were the largest PC unit manufacturer in the PRC in terms of revenue in 2018 with a market share of 13.0%, and the largest PC equipment manufacturer in the PRC in terms of revenue in 2018 with a market share of 38.3%, according to Frost & Sullivan.
- As of April 30, 2019, they had 15 wholly-owned PC factories and contracted to invest in 85 Joint Factories, covering 100% (in terms of number) of cities with GDP over RMB1,000 billion in 2018 and 65% (in terms of number) of cities with GDP over RMB100 billion in 2018 across China.

BUSINESS STRATEGIES

- Continue to invest in domestic regional production centers and Joint Factories.
- Upgrade their digital intelligent platform.
- Continue to focus on strategic clients.

- Expand in overseas markets.

COMPETITIVE STRENGTHS

- They are the pioneer and leader in the industry with advanced and unparalleled technology systems, brand premium and client strengths.
- They, as a market leader, are well positioned to seize the opportunities arising from the explosive growth in prefabricated construction industry in the PRC.
- They are the first to utilize the whole-process digitalized information system in the prefabricated construction industry in China to realize the intelligent manufacturing driven by massive data.
- They have established a nationwide network under their dual-engine driven model with combination of wholly-owned factories and Joint Factories, so as to achieve a rapid assetlight expansion while maintaining their core values.
- Their continuous efforts in technology innovation have driven their development and led the evolvement of their industry and its standards.
- They have a visionary founder and experienced management team, who have built a quality-oriented corporate culture.

KEY RISKS

- Their business and future growth may be affected by the macro economic conditions in the PRC.
- Their business and future growth are subject to changes in construction industry in the PRC.
- They face intensive competition in the industry of the PRC.
- The predetermined price contracts that they are involved in may delay, change, or terminate due to the price fluctuation of raw materials and other uncontrollable factors, and therefore may cause losses and result in profit decrease.
- They may not be able to satisfy their working capital requirements if they experience significant increase in amount due from customers, significant delays in their billing and settlement process, or significant delays or defaults in their trade and other receivables, performance guarantees or warranty deposit.
- They recorded net current liabilities as of December 31, 2018 and April 30, 2019.
- They may not realize expected investment return or suffer loss with respect to their investments in the Joint Factories.
- They do not have significant influence over the operation of level two Joint Factories.
- There may not be sufficient market demands for the PC units manufactured by Joint Factories, which may have negative impact on Joint Factories' and their business operation and financial performance as well as the expansion of Broad Homes United Program and their PC equipment manufacturing business in the long-run.
- Valuation methods for their investments may involve subjective judgments, and their financial condition and results of operation may be materially and adversely affected by gains of losses arising from changes in the fair value of their investment in joint factories and investment properties.
- They recorded gains of non-routine nature during the Track Record Period.

DIVIDEND POLICY

- No fixed dividend policy.

USE OF PROCEEDS

	HK mn	As a percentage of gross proceeds from the Invitation
For expanding their PC unit manufacturing business.	556.9	45.0%
For expansion in overseas markets and establishing technology and production centers targeting overseas markets.	247.5	20.0%
For developing and expanding their intelligent equipment business, including PC equipment manufacturing, construction equipment manufacturing and other equipment business.	185.6	15.0%
For developing and establishing an intelligent service platform in the prefabricated construction industry.	123.8	10.0%
For working capital and other general corporate purposes.	123.8	10.0%
Total:	1237.5	100.0%

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