

IPO FACT SHEET
China Risun Group Limited (1907 HK)
ISSUE STATISTICS

Offer Size:	HK\$1,656m – HK\$1,908m
Placement Tranche:	600m
Price:	HK\$2.76 – HK\$3.18
Board lot:	1,000
Entry fee:	HK\$3,212.05
Historical PE	12.4x – 14.3x
Net tangible asset per share:	HK\$1.52 - HK\$1.58
Market Cap (post-IPO):	HK\$11,040m - HK\$12,720m
Open:	28 Feb 2019
Close:	12.00 noon on 05 Mar 2019
Trading:	15 Mar 2019
Sponsor:	Guotai Junan Capital Limited

Year ended 31 Dec	(RMB m)	yoy % chg
Revenue		
2016	12,216.6	22.3%
2017	18,658.3	52.7%
Profit / (Loss) for the years/period		
2016	355.0	N.A.
2017	765.6	115.7%

BACKGROUND

- They are an integrated coke, coking chemical and refined chemical producer and supplier in China.
- They were the world's largest independent producer and supplier of coke by volume in 2017, according to Frost & Sullivan.
- They also held leading positions in a number of refined chemical sectors in China or globally.
- According to Frost & Sullivan, they were the largest producer of industrial-naphthalene-based phthalic anhydride and coke-oven-gas-based methanol by volume in China in 2017.
- They were also the largest coking crude benzene processor and the fifth largest coal tar processor by volume globally in 2017.

BUSINESS STRATEGY AND FUTURE PLANS

- They plan to further expand their business operation and production capacity.
- They plan to explore market opportunities to provide operation management and technology output services and expand their business through acquisitions and joint ventures.
- They plan to further develop and strengthen long-term business relationships with their major customers and suppliers.
- They aim to expand their domestic and international trading business.
- They plan to improve their energy-efficiency, environmental protection and operation safety standards.
- They plan to further improve their core competitive strengths through automation and information technologies.

COMPETITIVE STRENGTHS

- They are the world's largest independent producer and supplier of coke by volume and hold leading positions in a number of refined chemical sectors in China or globally.
- They have maintained long-term relationships with their major customers and suppliers.
- They have a vertically integrated business model.
- Their production bases are well located and enjoy transportation advantages.

- They use advanced production technologies and comprehensive environmental protection systems.
- They have adopted automation and information systems, which has improved their operation and management efficiency.
- They have a stable and experienced management team.

KEY RISKS

- They are vulnerable to any significant downturn in the PRC and the global iron and steel industry and chemical industry.
- They are susceptible to the cyclical nature of coal markets.
- They are vulnerable to fluctuations in coal and coke prices.
- They have net current liabilities, high gearing ratio and indebtedness of a large amount. Their business may be adversely affected if they fail to maintain sufficient working capital and liquidity.
- CNC Risun Coking may contribute less profit to them or even incur losses in the future and we may not continue to manage its daily operations.
- Their business may be adversely impacted by changes in the policies and regulations of the PRC government, particularly those relating to their industry, environmental protection and overcapacity in the coke and coking chemical industry.
- Unstable supplies of raw materials that meet their standards could impair their operations and adversely affect their profitability, results of operations and reputation.

DIVIDEND POLICY

- We expect to distribute no less than 30% of their annual distributable earnings in every subsequent year as dividends.

USE OF PROCEEDS

	HK mn	As a percentage of gross proceeds from the Invitation (%)
Repay their existing debts. We will continue to have net current liabilities after the repayment of their existing debts.	668.8	40.0%
Acquire, strategically invest in, and develop their strategic operation and management services to, third-party coke and refined chemical producers in China.	501.6	30.0%
Improve their environmental protection facilities and measures, and upgrade their automation and information systems.	334.4	20.0%
Working capital.	167.2	10.0%
Total:	1,672.1	100.00%

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