

**IPO FACT SHEET**
**JiaChen Holding Group Limited (1937)**
**ISSUE STATISTICS**

<b>Offer Size:</b>	HK\$132.5m – HK\$150.0m
<b>Placement Tranche:</b>	250.0m
<b>Price:</b>	HK\$0.53 – HK\$0.60
<b>Board lot:</b>	5,000
<b>Entry fee:</b>	HK\$3,030.23
<b>Historical PE</b>	16.1x – 18.2x
<b>Net tangible asset per share:</b>	HK\$0.28 – HK\$0.29
<b>Market Cap (post-IPO):</b>	HK\$530.0m – HK\$600.0m
<b>Open:</b>	31 Dec 2019
<b>Close:</b>	12.00 noon on 9 Jan 2020
<b>Trading:</b>	17 Jan 2020
<b>Sponsor:</b>	Dakin Capital Limited

Year ended 31 Dec	(RMB'000)	yoy % chg
Revenue		
2017	216,360	35.6%
2018	248,785	15.0%
Adjusted profit for the year/period (excluding listing expenses)		
2017	24,996	29.1%
2018	28,936	15.8%

**BACKGROUND**

- The Group is principally engaged in the manufacturing and sales of access flooring products and provide related installation services. For the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019, approximately 92.4%, 91.8%, 90.9% and 95.4% of its total revenue was derived from the PRC, respectively.
- According to the CIC Report, the Group was the third largest player in access flooring manufacturing industry with a market share of approximately 3.6% in terms of revenue in the PRC in 2018.
- Its customers include property developers and main contractors of construction projects in the PRC. For the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019, its top five largest customers contributed approximately 22.7%, 18.6%, 21.4% and 45.4% of its total revenue respectively.
- The Group formulates its tender strategy based on this cost-plus pricing policy. Its tender success rate with its cooperation partners was approximately 50.0%, 37.5%, 40.0% and 25.0% for the years ended 31 December 2016, 2017, 2018 and the six months ended 30 June 2019, respectively. Its tender success rate with its other customers was approximately 31.7%, 33.8%, 38.3% and 38.1% for the years ended 31 December 2016, 2017, 2018 and the six months ended 30 June 2019, respectively.

**BUSINESS STRATEGIES**

- Increase its production capacity and efficiency by expansion of its production sites.
- Upgrade its existing production lines by acquiring automated machinery and equipment.
- Upgrade its ERP system.

**COMPETITIVE STRENGTHS**

- The Group is a well-established access flooring manufacturer with a proven track record in the PRC.
- Its core values and distinctive products and services are recognised by its customers.
- The Group applies stringent quality control measures.
- The Group has an experienced and stable management team.

#### KEY RISKS

- Its revenue is largely derived from its contracts which are non-recurrent in nature and any failure of the Group to secure tender contracts would affect its operations and financial result.
- It determines the tender price based on its estimation of the time and costs to be involved, which may not be accurate. Any material deviation from its estimation due to unexpected circumstances may lead to losses in its projects.
- The Group is exposed to the credit risks of its customers and may experience increasing balance of contract assets and trade receivables, which could materially and adversely affect its financial conditions. Furthermore, its liquidity position and financial performance may be materially and adversely affected if project payment or retention monies is not paid or released to it on time or in full.
- It may not be able to bill and receive the full amount of contract assets and the aggregate amount of revenue that it is able to derive from a project may be different from the original contract sum specified in the relevant contract for the project due to rectifications, modifications or adjustments to the work scope by its customers.
- The Group recorded negative operating cash flow for the year ended 31 December 2017 and the six months ended 30 June 2019 and may face financial difficulties in the future if it fails to maintain effective cash flow management.
- The Group is uncertain about the recoverability of its deferred tax assets, which may affect its financial positions in the future.
- The Group is exposed to risk of inventories obsolescence.
- Its business, financial conditions and growth prospects may be adversely affected by the potential increase in staff costs and depreciation expenses incurred from implementing its expansion plan.

#### DIVIDEND POLICY

- No fixed dividend policy.

#### USE OF PROCEEDS

	HK mn	As a percentage of gross proceeds from the Invitation
For expansion of its production facilities by acquiring a parcel of land in the PRC and implementation of new production lines and supplemental equipment	79.3	83.8%
To optimise its manufacturing process and to increase productivity by acquiring automated machinery and equipment for upgrading its existing production lines	5.6	5.9%
For repaying outstanding indebtedness of the Group under the facility agreement drawn on 25 February 2019 for financing the Group's general working capital in procuring raw materials	5.5	5.8%
For enhancing and optimising its information technology system, in particular upgrading its existing ERP system	2.5	2.7%
	1.7	1.8%
For working capital and general corporate purposes		
<b>Total:</b>	<b>94.6</b>	<b>100.0%</b>

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