

**IPO FACT SHEET**
**Justin Allen Holdings Limited (1425)**
**ISSUE STATISTICS**

<b>Offer Size:</b>	HK\$125m – HK\$156.25m
<b>Placement Tranche:</b>	312,500,000 Shares
<b>Price:</b>	HK\$0.40 – HK\$0.50
<b>Board lot:</b>	5,000
<b>Entry fee:</b>	HK\$2,525.20
<b>Historical PE</b>	11.84x – 14.80x
<b>Net tangible asset per share:</b>	HK\$0.23 – HK\$0.26
<b>Market Cap (post-IPO):</b>	HK\$500m – HK\$625m
<b>Open:</b>	19 Nov 2019
<b>Close:</b>	12.00 noon on 22 Nov 2019
<b>Trading:</b>	28 Nov 2019
<b>Sponsor:</b>	Guotai Junan Capital Limited

Year ended 31 Dec	(HKD'000)	yoy % chg
Revenue		
2017	524,852	12.2%
2018	608,386	15.9%
Profit for the year/period		
2017	51,411	12.3%
2018	42,225	-17.9%

**BACKGROUND**

- Established in Hong Kong in 1983, their Group primarily engages in the business of OEM garment manufacturing specialising in the production of sleepwear and loungewear products.
- They have a vertically integrated business operation which comprises raw materials sourcing and greige fabric production, product development which may involve advising on the product designs and the use of fabrics, conducting key garment production processes with their own production facilities and carrying out quality control at various key production stages and on finished garment products.
- They are capable of offering one-stop apparel solutions comprising, fabric development, product development, raw materials sourcing, garment manufacturing, quality control and logistics management to their customers.
- They have production facilities in each of Phnom Penh, Cambodia and Henan province, the PRC. Their Cambodia Factory and Henan Factory commenced production in 2011 and 2014, respectively. They also started their fabric production in their Henan Factory in 2015 where they produced greige fabric mainly as a raw material for their sleepwear and loungewear production as well as for sales to third-party garment manufacturers.
- There are four major steps in their business model, namely (i) customer order development; (ii) raw material sourcing and production; (iii) garment production; and (iv) logistics management.
- Their garment products can be categorised into the following main categories: (i) sleepwear products; and (ii) loungewear products.

**BUSINESS STRATEGIES**

- Vertical expansion of their fabric production capability.
- Horizontal expansion of their garment production capability.
- Further diversification of their customer and revenue base.
- Adjustment in their product mix.

**COMPETITIVE STRENGTHS**

- Their vertical integration allows them to become a one-stop apparel solutions provider.
- They have cultivated long-term business relationships with most of their Apparel Retail Brand Customers.

- They have strong design and fabric development capabilities.
- They have a stringent quality control process which ensures high product quality.
- They have an experienced management team with a proven track record.

### KEY RISKS

- Their Group relied heavily on Target during the Track Record Period.
- They do not enter into long-term contracts with their Apparel Retail Brand Customers.
- Their success depends on their customers' ability to market and sell their products manufactured by them.
- During the Track Record Period, they relied significantly on their sales derived from their customers based in the U.S. and any event negatively affecting the U.S. could have an adverse effect on their business, financial condition, results of operations and future operations.
- Any labour shortages, increased labour costs or other factors affecting labour supply for their production.
- Their business, reputation, financial condition and results of operations may be materially and adversely affected by the performance of or disruption in supply from their subcontractors.
- Future price increases in raw materials or changes in the supply of raw materials may materially and adversely affect their business, financial condition and results of operations.
- They are exposed to foreign exchanges risks.

### DIVIDEND POLICY

- No fixed dividend policy.

### USE OF PROCEEDS

	HK mn	As a percentage of gross proceeds from the Invitation
Will be used to enhance their fabric production facilities by establishing a spinning mill in their Henan Factory as their vertical expansion plan.	65.3	74.2%
Will be used for setting up a new garment production factory in Vietnam which will have a size and scale similar to their Cambodia Factory.	20.0	22.7%
Will be used to fund their working capital and for general corporate purposes.	2.7	3.1%
<b>Total:</b>	<b>88.0</b>	<b>100.0%</b>

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