# **UOBKayHian**

## Hong Kong

#### **IPO FACT SHEET**

# KangLi International Holdings Limited (6890 HK)

#### **ISSUE STATISTICS**

Offer Size:	HK\$150m – HK\$195m
Placement Tranche:	150m
Price:	HK\$1.00 – HK\$1.30
Board lot:	2,000
Entry fee:	HK\$2,626.20
Historical PE	8.01x - 10.41x
Net tangible asset per share:	HK\$1.02 – HK\$1.10
Market Cap (post-IPO):	HK\$600m – HK\$780m
Open:	31 Oct 2018
Close:	12.00 noon on 8 Nov 2018
Trading:	19 Nov 2018
Sponsor:	GF Capital (Hong Kong) Limited

Year ended 31 Dec	(RMB'000)	yoy % chg
Revenue		
2016	1,264,109	10.8%
2017	1,497,537	18.5%
Profit for the year/period		
2016	33,980	105.4%
2017	66,143	94.7%

#### BACKGROUND

- They are a leading midstream galvanized steel products manufacturer in the home appliance sector in Jiangsu Province, the PRC.
- According to the F&S Report, they are the largest market player in the galvanized steel product market in Jiangsu Province in terms of revenue in 2017, and they ranked third with a market share of 3.9% in the galvanized steel product market in the home appliance sector in the PRC in terms of revenue in 2017. They ranked 16th with a market share of 0.5% in the galvanized steel product industry in the PRC by revenue in 2017.
- The market size by revenue of the galvanized steel product industry in the home appliance sector in Jiangsu Province amounted to approximately RMB3.5 billion in 2017.
- They primarily engage in production and sales of
  - unpainted galvanized steel products to midstream steel product processors, which majority of them do not possess of the ability to perform hot-dip galvanization, for further processing into unpainted galvanized steel products in sheet form and painted galvanized steel products, for their onward sales mainly to home appliance manufacturers.
  - Cold Rolled Steel Products to home appliance manufacturers for production of home appliances such as refrigerators, washing machines and ovens.

#### **BUSINESS STRATEGY AND FUTURE PLANS**

- Expand production capacity and product range diversity to increase their market penetration in the galvanized steel product market, in
  particular the home appliance sector.
- Further enhance product development capability.

#### **COMPETITIVE STRENGTHS**

- They offer full line of high quality products with strong production know-how.
- They are strategically located in Eastern China with close proximity to major customers and suppliers.
- They have established long-standing business rapport with key suppliers and customers.
- They have developed stringent quality control.

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They are led by an experienced and dedicated management team.

#### **KEY RISKS**

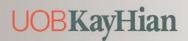
- The demand for their products depends on the end users' demand for their customers' products and the volume of their purchases from them may fluctuate in the future.
- Imposition of trade tariffs and/or anti-dumping measures by the United States against their customers' products, if any, may materially
  and adversely affect their results of operation.
- Their products may be subject to high tariff rates or anti-dumping measures under the trade war between the U.S. and the PRC, which could materially and adversely affect their sales volumes, profitability and results of operations.
- They may face difficulties in maintaining their existing customer base and developing new customers.
- They have a concentration of certain groups of customers during the Track Record Period.
- They are subject to certain risks relating to the delivery of their products including the delivery delays caused by suspension or interruption to the services of their third party logistics service providers.
- Their gross profit margin and growth in profit may fluctuate in the future as there are sensitive factors including their purchase price of direct materials, in particular, hot rolled steel coils, selling price of Cold Rolled Steel Products and yield rate (成材率) which are beyond their control.
- They are subject to credit risk in respect of their trade and bills receivables.
- Their business operations may be affected by the interruption or shortage of supply of hot rolled steel coils in the PRC.
- They place reliance upon certain suppliers as a significant portion of their hot rolled steel coils were supplied by two suppliers and any
  decrease in supplies, quantity of supplies and breakdown in the business relationship between them and their suppliers could have a
  material and adverse effect on their business and financial conditions.

#### DIVIDEND POLICY

No fixed dividend policy

#### USE OF PROCEEDS

	HK mn	As a percentage of gross proceeds from the Invitation (%)
Will be used to implement their expansion plan to expand their production capacity and increase their production efficiency.	130.00	96.1%
Will be used to repay a bank loan at an interest rate of 5.76% per annum which will be due for repayment in December 2018.	5.30	3.9%
Total:	135.30	100.00%



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