

IPO FACT SHEET

Khoon Group Limited (924)

ISSUE STATISTICS

Offer Size:	HK\$125m – HK\$150m
Placement Tranche:	250m
Price:	HK\$0.50 - HK\$0.60
Board lot:	8,000
Entry fee:	HK\$4,848.37
Historical PE	24.88x – 29.86x
Net tangible asset per share:	HK\$0.18 – HK\$0.21
Market Cap (post-IPO):	HK\$500m - HK\$600m
Open:	20 June 2019
Close:	12.00 noon on 25 June 2019
Trading:	5 Jul 2019
Sponsor:	Kingsway Capital Limited

Year ended 31 Jan	(HK\$'000)	yoy % chg
Revenue		
2017	176,763	-20.2%
2018	193,622	9.5%
Profit and other comprehensive income for the year/period		
2017	21,961	25.0%
2018	20,096	-8.5%

BACKGROUND

- With an operating history of 30 years, they are a Singapore-based M&E service provider specialised in providing electrical engineering solutions. Their electrical engineering services mainly comprise (i) customisation and/or installation of electrical systems; (ii) assisting to obtain statutory approvals; and (iii) testing and commissioning.
- They have established solid track record in undertaking electrical engineering works in public residential developments initiated by the HDB, the public housing authority of the Singapore Government.
- They are engaged in both public and private sector projects. In respect of public sector projects, their customers were (i) construction contractors engaged by the HDB for new building development and redevelopment projects; and (ii) local statutory bodies in Singapore for A&A and upgrading projects.
- During the Track Record Period, they had a total of 112 projects with revenue contribution to them.
- Their customers mainly included construction contractors and local statutory bodies in Singapore.

BUSINESS STRATEGIES

- Acquiring a Singapore-based ACMV contractor which is registered under the workhead of ME01 (air-conditioning, refrigeration and ventilation works) with at least “L4” grade to capture the increasing market demand for ACMV services in Singapore.
- Applying for registration under the workhead of ME15 (integrated building services) with “L6” grade to increase their exposure to integrated building service projects in the public sector.
- Strengthening their manpower to increase their service capacity to capture the increasing market demand for electrical engineering services.
- Expanding their premises for their various operational needs.
- Strengthening their financial position to undertake additional and sizeable electrical engineering projects with larger contract sum.
- Enhancing their machinery and equipment to cope with their business development, increase their overall efficiency and capacity in performing electrical engineering works as well as their ability to cater for the different needs and requirement of various customers.
- Investing in hardware devices and computer software to enhance their information technology capability and project implementation efficiency.

- Acquiring additional lorries to accommodate the increase in their transportation needs associated with the planned expansion of their manpower and the expected increase in number of electrical engineering projects they expect to undertake.

COMPETITIVE STRENGTHS

- Their established presence in the electrical engineering industry in Singapore.
- Their established relationships with some of their major customers.
- Their experienced and dedicated management team.
- Their stringent quality control and high safety standard and environmental impact control.

KEY RISKS

- Their revenue is mainly derived from their electrical engineering services for which their engagements with their customers are non-recurrent in nature and there is no guarantee that they will be able to secure new projects.
- Reduction in the level of Singapore Government's spending on public residential developments may materially and adversely affect their business and financial position.
- A significant portion of their revenue was generated from contracts awarded by a limited number of customers and any significant decrease in the number of projects with their major customers may materially and adversely affect their financial condition and operating results.
- Failure to renew or any suspension or cancellation of any of their existing licences and registrations could materially affect their operations and financial performance.
- They experienced a decline in their total revenue in FY2016/17 and recorded net operating cash outflow for FY2016/17 and FY2017/18.
- Unsatisfactory performance and/or unavailability of their suppliers (including subcontractors) may adversely affect their operations and profitability.
- Potential mismatch in time between receipt of progress payments from their customers and payments to their suppliers may adversely affect their cash flows.

DIVIDEND POLICY

- No fixed dividend policy.

USE OF PROCEEDS

	HK mn	As a percentage of gross proceeds from the Invitation
For the acquisition of a Singapore-based ACMV contractor which is registered under the workhead of ME01 (air-conditioning, refrigeration and ventilation works) with at least "L4" grade.	45.9	42.7%
For strengthening their manpower by recruiting additional staff.	16.5	15.3%
For expanding their premises for their various operational needs.	11.7	10.9%
For financing their upfront costs and working capital requirements at the early stage of carrying out their electrical engineering projects.	10.8	10.0%
For financing the acquisition of additional machinery and equipment.	9.0	8.4%
For purchasing a building information modeling software together with certain ancillary supporting hardware device and upgrading their enterprise resource planning system.	5.8	5.4%
For financing the acquisition of additional lorries.	1.8	1.7%
To be reserved as their general working capital.	6.0	5.6%
Total:	107.5	100.0%

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