

IPO FACT SHEET
Kimou Environmental Holding Limited (6805)
ISSUE STATISTICS

Offer Size:	HK\$302.4m – HK\$403.2m
Placement Tranche:	280m
Price:	HK\$1.08 – HK\$1.44
Board lot:	2,000
Entry fee:	HK\$2,909.02
Historical PE	22.13x – 29.51x
Net tangible asset per share:	HK\$0.36 – HK\$0.46
Market Cap (post-IPO):	HK\$1.2B – HK\$1.6B
Open:	29 June 2019
Close:	12.00 noon on 5 July 2019
Trading:	16 Jul 2019
Sponsor:	Shenwan Hongyuan Capital (H.K.) Limited

Year ended 31 Dec	(RMB'000)	yoy % chg
Revenue		
2017	301,921	52.8%
2018	479,678	58.9%
Profit for the year attributable to equity shareholders		
2017	20,195	23.4%
2018	47,936	137.4%

BACKGROUND

- They develop and operate large-scale industrial parks in the PRC which are specifically designed for the electroplating industry.
- According to the Industry Consultant's Report, industrial parks with site area of 100,000 sq.m. or above are regarded as large-scale. They ranked first among the operators of electroplating industrial parks in the PRC in 2018 in terms of total revenue with a market share of 7.4%. The market is however fragmented with the top five players accounted for around 14.7% market share in 2018.
- They currently have two electroplating industrial parks in the PRC, namely the Guangdong Huizhou Park in which they own 100% interest with its operation commenced in 2007 and the Tianjin Bingang Park in which they own 51% interest with its operation commenced in 2016.
- Their Guangdong Huizhou Park is the only electroplating industrial park in Huizhou and is one of the six large-scale electroplating industrial parks in Guangdong Province, whilst their Tianjin Bingang Park is the only large-scale electroplating industrial park in Tianjin.

BUSINESS STRATEGIES

- Increase the number of their electroplating industrial parks.
- Increase the wastewater treatment capabilities of their industrial parks to cater for their expansion needs.
- Increase the GFA available for leasing.
- Improve the gearing ratio and financial conditions of their Group.
- Possible impact of their expansion plans on their financial performance.

COMPETITIVE STRENGTHS

- As the largest electroplating industrial park developer and operator in China in 2018, they have proven track record in uninterrupted operation of large-scale electroplating industrial parks.
- Their industrial parks are strategically located which renders them attractive to electroplating companies serving a wide range of industries in the area.
- Their industrial parks offer comprehensive services to their tenants to ensure their smooth operation.

- They operate large-scale electroplating industrial parks that are capable in serving relatively large number of tenants with different production scale and treating industrial wastewater in compliance with tightening discharge standards.
- They have developed a high quality customer base and established long-term relationships with their customers.
- Their experienced management team has provided us with a competitive edge.

KEY RISKS

- They are heavily dependent on the performance of the electroplating industry in China. Any market downturn of this industry will have a material adverse impact on their business, financial condition and results of operations.
- Their business is dependent on the operating performance and financial condition of their major customers. If their operating performances deteriorate, they may require us to terminate their leases.
- They recorded net current liabilities as at the end of FY2016, FY2017 and FY2018 and as at 30 April 2019 which will expose us to liquidity risk and will restrict their ability to make necessary capital expenditure or develop business opportunities.
- Change in government policies and regulations concerning the discharge standards for electroplating industries may result in substantial upgrade and additional capital investment by electroplating industrial park operators.

DIVIDEND POLICY

- Their Directors currently intend to recommend a dividend of around 20% of the net profit available for distribution to their Shareholders for each financial year ending 31 December in the foreseeable future.

USE OF PROCEEDS

	HK mn	As a percentage of gross proceeds from the Invitation
Acquisition of land for the Hubei Jingzhou Project and construction of relevant infrastructure.	69.0	22.0%
Expansion of the current wastewater treatment facilities of the Tianjin Bingang Park.	115.0	36.8%
Fund the construction cost of two factory buildings in the Guangdong Huizhou Park.	57.5	18.4%
Repayment of short term bank loans.	57.5	18.4%
General working capital.	13.8	4.4%
Total:	312.8	100.0%

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