

IPO FACT SHEET
KNT Holdings Ltd. (1025 HK)
ISSUE STATISTICS

Offer Size:	HK\$127.4m – HK\$163.8m
Placement Tranche:	130m
Price:	HK\$0.98 – HK\$1.26
Board lot:	4,000
Entry fee:	HK\$ 5,090.79
Historical PE	21.40x – 27.51x
Net tangible asset per share:	HK\$0.23-HK\$0.28
Market Cap (post-IPO):	HK\$509.6m - HK\$655.2m
Open:	15 Feb 2019
Close:	12.00 noon on 20 Feb 2019
Trading:	28 Feb 2019
Sponsor:	Innovax Capital Limited

Year ended 31 Mar	(HK\$'000)	yoy % chg
Revenue		
2017	169,284	2.5%
2018	208,403	23.1%
Profit for the year/period		
2017	23,832	97.1%
2018	23,817	-0.1%

BACKGROUND

- They are a one-stop solutions provider of bridesmaid dresses, bridal gowns and special occasion dresses and were the largest bridesmaid dresses manufacturer in the PRC in terms of revenue with approximately 2.9% market share in 2017, according to the Ipsos Report.
- They derived over 95% of their revenue during the Track Record Period from brand apparel companies.
- Over the years, they have built their reputation and gained customers' recognition from their dedication to provide their customers with one-stop solutions and consistently high quality products, which has increased their customers' reliance on them and in turn enabled them to maintain their market position as one of the leading bridesmaid dresses manufacturers in the PRC.
- Their customers' reliance on them is demonstrated by them being the sole supplier of certain customers for bridesmaid dresses, three of whom were their five largest customers during the Track Record Period and had maintained an average of over 12 years of relationship with them as at the Latest Practicable Date.

BUSINESS STRATEGY AND FUTURE PLANS

- Expand their production capacity.
- Strengthen and broaden their customer base in the U.S..
- Strengthen their product design and development capabilities.
- Expand their raw material portfolio.

COMPETITIVE STRENGTHS

- Leading position in the bridesmaid dresses industry.
- One-stop solutions provider of a comprehensive range of bridesmaid dresses, bridal gowns and special occasion dresses.
- Strong and established product design and development capabilities.
- Established long-term relationships with their customers.
- Experienced management team and strong corporate culture of innovation and dedication.

KEY RISKS

- They rely on several major customers and generally do not enter into long-term agreements with their customers.
- Their financial performance and results of operations could be adversely affected by import restrictions imposed by global trade policies, trade protection measures and trade war.
- Their success depends on their ability and their customers' ability to anticipate and respond in a timely manner to the rapid changes in consumer preferences, increasing demand for design and quality, and advances in technologies.
- They rely on the stable operation of their production facility and cannot assure you that their production would be free of disruption in the future including the potential adverse consequences due to title defects in relation to their production facility and staff dormitory.
- Any labour shortages, increased labour costs or other factors affecting labour supply for their production could adversely affect them.
- They could be adversely affected by the performance of their subcontractors.
- They are subject to risks of fluctuations in the exchange rate between RMB and HK dollars or U.S. dollars.
- They are dependent on a stable and adequate supply of raw materials and do not enter into long-term agreements with their suppliers.
- If there is any unexpected sudden and dramatic change in market trend, their inventory may not have the required raw materials for production of bridesmaid dresses and bridal gowns ordered by their customers which could potentially result in delay in production and delivery of products to their customers.
- They are exposed to risks of obsolete and slow-moving inventory.
- Their business and reputation may be affected by product liability claims, litigation, complaints or adverse publicity.
- They generally do not register intellectual property rights to the designs of their products.
- They may be unable to obtain financing on favourable terms, or at all, to meet their funding requirements.
- Their success depends upon their key management personnel.
- They may be involved in intellectual property rights infringement litigation initiated by others.
- They are dependent on the consumer spending level in the U.S. and Europe.
- They are subject to the political, economic and social developments as well as laws, rules and regulatory requirements in the PRC.

DIVIDEND POLICY

- No fixed dividend policy.

USE OF PROCEEDS

	HK mn	As a percentage of gross proceeds from the Invitation (%)
Will be used to increase their production capacity by building their second production facility in Guangdong Province.	56.50	76.0%
Will be used to repay part of their term loan and revolving loans during the year ending 31 March 2019 and the first half of the financial year ending 31 March 2020.	7.40	10.0%
Will be used to set up a sales office in the U.S., of which approximately HK\$1.0 million is expected to be utilised during the first half of the financial year ending 31 March 2020.	7.40	10.0%
Will be used for their working capital and general corporate purposes.	3.00	4.0%
Total:	74.30	100.00%

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