

IPO FACT SHEET
Kwan Yong Holdings Limited (9998)
ISSUE STATISTICS

Offer Size:	HK\$130m – HK\$150m
Placement Tranche:	200m
Price:	HK\$0.65 – HK\$0.75
Board lot:	5,000
Entry fee:	HK\$3,787.79
Historical PE	15.28x – 17.63x
Net tangible asset per share:	HK\$0.411 – HK\$0.434
Market Cap (post-IPO):	HK\$520m – HK\$600m
Open:	24 Dec 2019
Close:	12.00 noon on 31 Dec 2019
Trading:	8 Jan 2020
Sponsor:	SPDB International Capital Limited

Year ended 30 Jun	(HKD'000)	yoy % chg
Revenue		
2018	309,827.0	-31.5%
2019	634,593.0	104.8%
Profit for the year		
2018	35,972.0	20.2%
2019	34,029.0	-5.4%

BACKGROUND

- Their Group acts as a main contractor in the provision of building construction works in Singapore.
- According to the Ipsos Report, their Group ranked fourth among contractors in the institutional sector in Singapore in terms of the average institution CONQUAS score in 2018.
- They have more than 30 years of experience in building construction works for various types of buildings including institutional buildings (such as education institutions, hospitals and nursing homes), commercial buildings (such as office buildings and restaurants), as well as industrial and residential buildings. During the Track Record Period, most of the building construction works undertaken by their Group were education institution construction projects for the public sector.
- During the Track Record Period, their customers comprise Singapore Government agencies and childcare services provider, and they derived most of their revenue from three, four and five customers for the years ended 30 June 2017, 2018 and 2019, respectively.
- During the years ended 30 June 2017, 2018 and 2019, they derived approximately 84.6%, 52.7% and 45.3% of their total revenue from construction projects for education institutions awarded by their single largest customer, Singapore Government Agency A.

BUSINESS STRATEGIES

- Strengthen their Group's financial capabilities to undertake new construction and A&A projects of larger contract value.
- Purchase of new machinery and equipment and upgrading and replacement of existing machinery and equipment to enhance their productivity and quality.
- Strengthen their technical capability and productivity through investment in new construction technology.
- Enhance and expand their workforce to cope with their business expansion.

COMPETITIVE STRENGTHS

- They have a proven track record of delivering quality building construction works to their customers.
- They have a long-term relationship with their customers, suppliers and subcontractors which is crucial to their business development.
- They are committed to adopting new construction technologies to enhance their productivity, quality and safety, and providing their customers with value-added engineering solutions.

- Experienced senior management team with comprehensive industry, market and technical knowledge and a proven track record.

KEY RISKS

- Their largest customer accounted for approximately 84.6%, 52.7% and 45.3% of their revenue for each of the three years ended 30 June 2019, respectively and any significant decrease in projects awarded from it may affect their business, operations and financial results.
- A reduction in the demand for new construction works and/or A&A works, in particular for school projects in Singapore could materially affect their financial performance.
- Their revenue is mainly derived from projects that are not recurring in nature and any significant decrease in the number of their construction projects would affect their operations and financial results.
- Their profitability during the Track Record Period may not be indicative of the long term results of operations.
- They have recorded negative operating cash flows for the years ended 30 June 2018 and 2019.
- Their inability to attract and retain qualified personnel could impair their ability to operate and grow successfully.

DIVIDEND POLICY

- Their Directors intend to recommend dividends which would amount in total to not less than 30% of the net profit from ordinary activities attributable to shareholders of their Company for full financial year.

USE OF PROCEEDS

	HK mn	As a percentage of gross proceeds from the Invitation
For purchasing new machinery and equipment and upgrading and enhancing their existing machinery and equipment to enhance their productivity and quality.	27.2	27.9%
For strengthening their technical capability and productivity through investment in new technology, including precast, BIM, VDC, PPVC and a safety and quality application.	38.5	39.5%
For part of the Initial Capital Requirement of Project A.	23.0	23.6%
For enhancing and expanding their workforce to cope with their business expansion.	8.3	8.5%
General working capital.	0.4	0.4%
Total:	97.4	100.0%

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