

IPO FACT SHEET
Kwung's Holdings Limited (1925)
ISSUE STATISTICS

Offer Size:	HK\$128m – HK\$160m
Placement Tranche:	100m
Price:	HK\$1.28 – HK\$1.60
Board lot:	2,000
Entry fee:	HK\$3,232.25
Historical PE	5.98x – 7.48x
Net tangible asset per share:	HK\$0.75 – HK\$0.83
Market Cap (post-IPO):	HK\$512m – HK\$640m
Open:	30 Dec 2019
Close:	12.00 noon on 6 Jan 2020
Trading:	16 Jan 2020
Sponsor:	China Industrial Securities International Capital Limited

Year ended 31 Dec	(RMB'000)	yoy % chg
Revenue		
2017	445,860	11.6%
2018	444,704	-0.3%
Net profit		
2017	37,646	-17.3%
2018	77,051	104.7%

BACKGROUND

- Founded in 1999, they are a prominent original design manufacturer and supplier of Home Decoration Products, comprising candles, home fragrance and home accessories. Candles and home fragrance are their principal products, which in aggregate accounted for 83.9%, 83.5%, 84.6% and 81.1%, respectively, of their total revenue for FY2016, FY2017, FY2018 and 6M2019.
- Their products are sold to customers situated in more than 20 countries and regions, including France, United Kingdom, the Netherlands, Germany, Canada and Australia where candles and home fragrance are widely used in ordinary people's daily life.
- According to the F&S Report, in 2018, in terms of revenue from the manufacturing and sales of candles, they ranked second in the PRC, and in terms of revenue from the manufacturing and sales of home fragrance, they ranked fourth in the PRC.
- They are an export-oriented business and target mainly overseas markets. For FY2016, FY2017, FY2018 and 6M2019, customers situated overseas contributed 98.8%, 99.0%, 98.8% and 98.3%, respectively, of their total revenue for the same periods. Europe is their largest geographical market, accounting for 72.5%, 74.1%, 76.3% and 77.0%, respectively, of their total revenue for FY2016, FY2017, FY2018 and 6M2019. Terms of sales are mainly in FOB.
- Their business is primarily conducted on ODM basis. For FY2016, FY2017, FY2018 and 6M2019, revenue derived from their ODM sale accounted for 96.6%, 97.0%, 96.7% and 97.1%, respectively, of their total revenue.
- Their major customers comprise retailers of home decoration products as well as wholesalers who import and sell their products to the overseas markets through their own distribution networks. A majority of their major customers are renowned home decor retailers or wholesalers in Europe, such as J.J.A. from France (their largest customer for FY2016, FY2018 and 6M2019) and Koopman from the Netherlands (their second largest customer for FY2018).

BUSINESS STRATEGIES

- Establish physical presence overseas to increase market penetration of their products, better serve their major customers and enlarge their customer base in their major market.
- Expand and upgrade their production facilities to strengthen their in-house production capabilities to achieve economies of scale.
- Strengthen their research and development capabilities to enrich their product offering and increase their overall competitiveness.
- Upgrade their information system and logistics capacities to increase their operational efficiency.
- Enhance their sales and marketing efforts to enlarge market share, cultivate brand loyalty and capture potential business opportunities in

markets outside Europe.

COMPETITIVE STRENGTHS

- They place strong emphasis on product innovation to meet the rapidly changing needs of their customers and consumers.
- They pride themselves in the quality and performance of their products, which are suitable for use in different cultural settings.
- They have a worldwide customer base with diversified sales channels.
- They have a stable, experienced and dedicated management team with extensive industry experience.
- They have integrated production facilities which allow them to achieve economies of scale.

KEY RISKS

- Their revenue is relying on the business and financial performance of their customers.
- Their revenue is mainly derived from sales which are non-recurring in nature. Therefore, they cannot assure you that their customers will continue to make the same or higher level of purchase with them, or at all.
- Their business, to a large extent, depends on the performance of their export sales. Therefore, their sales are highly susceptible to any adverse economic, social or political conditions in the overseas markets.
- They derive a significant portion of their revenue from sale of candles, which are subject to rapid market and technological changes. If they fail to effectively respond or adapt to market changes for their products, their business, financial position and prospects could be materially and adversely affected.
- Product liability claims may be brought against them and may materially and adversely harm their business, financial position and reputation.
- Potential tariffs proposed by the countries where their customers are located against Chinese consumer products will materially and adversely affect their business and prospects.

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 lines for candles and expand their production capability in home fragrance.	50.8	47.5%
Will be used for establishing two regional sales offices in Europe.	23.9	22.4%
Will be used to strengthen their research and development capabilities.	13.1	12.3%
Will be used to upgrade their information system and logistics capacities.	9.0	8.4%
Will be used for general working capital purpose.	10.0	9.4%
Total:	106.8	100.0%

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