

IPO FACT SHEET
Perennial Energy Holdings Ltd (2798 HK)
ISSUE STATISTICS

Offer Size:	HK\$240m – HK\$384m
Placement Tranche:	400m
Price:	HK\$0.60 – HK\$0.96
Board lot:	5,000
Entry fee:	HK\$4,848.37
Historical PE	4.64x – 7.42x
Net tangible asset per share:	HK\$0.61 – HK\$0.69
Market Cap (post-IPO):	HK\$960m – HK\$1,536m
Open:	26 Nov 2018
Close:	12.00 noon on 29 Nov 2018
Trading:	12 Dec 2018
Sponsor:	Kingsway Capital Limited

Year ended 31 Dec	(RMB'000)	yoy % chg
Revenue		
2016	397,261	-15.1%
2017	627,006	57.8%
Profit and total comprehensive income for the year/period		
2016	98,955	64.3%
2017	183,415	85.4%

BACKGROUND

- They are a coal mining company based in Guizhou Province, the PRC.
- They currently operate two underground coal mines in the Songshan coal field in western Panzhou City, Guizhou Province, the PRC, namely, the Hongguo Mine and the Baogushan Mine.
- Their mines are located next to the local transport highway and are only approximately 5km to the Huajiazhuang Railway Logistics Centre.
- They employ mechanized longwall retreating underground mining method to extract raw coal which are mostly 1/3 coking coal from their Hongguo Mine and Baogushan Mine.
- They generally wash and process raw coal into clean coal at their Songshan Coal Preparation Plant before selling the coal products to their customers.

BUSINESS STRATEGY AND FUTURE PLANS

- Expanding the coal mining production capacity of their mines.
- Renewing and improving their machinery and equipment used in their mining operations.
- Further enhance the technological aspect of their coal preparation capability and recovery rate.

COMPETITIVE STRENGTHS

- Their mines are strategically located in Guizhou Province, a key producer of coking coal and 1/3 coking coal in Southwest China.
- They have abundant coal resources and reserves.
- Their mines are connected to highway and railway networks enabling us to have efficient and effective access to their customers.
- They have a strong management team with solid industry experience.

KEY RISKS

- The demand for and selling price of their coal products may be affected by the PRC economic environment and the performance of the iron and steel, construction and power industries and future policies implemented by the PRC Government.

- Coal prices are cyclical and subject to significant fluctuations.
- Unanticipated faults at their mines may have material adverse impact on their production output, coal quality and mining operations.
- They had net current liabilities as at 31 December 2015, 2016 and 2017.

DIVIDEND POLICY

- No fixed dividend policy.

USE OF PROCEEDS

	HK mn	As a percentage of gross proceeds from the Invitation (%)
Acquiring machinery and equipment used in their coal mining operations.	93.80	35.9%
Further enhancing the technological aspect of their coal preparation capability and recovery rate.	80.50	30.8%
Constructing, installing and purchasing mechanical components for their underground mining activities in correspondence with expansion of the coal mining production capacity of their Hongguo Mine and Baogushan Mine.	67.00	25.6%
Working capital and general corporate purposes.	20.10	7.7%
Total:	261.40	100.00%

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