

IPO FACT SHEET
Tailam Tech Construction Holdings Limited (6193)
ISSUE STATISTICS

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|---------------------------------------|-----------------------------|
| Offer Size: | HK\$102.7m – HK\$110.6m |
| Placement Tranche: | 79.0m |
| Price: | HK\$1.30 – HK\$1.40 |
| Board lot: | 2,000 |
| Entry fee: | HK\$2,828.22 |
| Historical PE | 13.14x – 14.16x |
| Net tangible assets per share: | HK\$0.41 – HK\$0.42 |
| Market Cap (post-IPO): | HK\$520.0m – HK\$560.0m |
| Open: | 05 Dec 2019 |
| Close: | 12.00 noon on 11 Dec 2019 |
| Trading: | 18 Dec 2019 |
| Sponsor: | South China Capital Limited |

| Year ended 31 Dec | (RMB'000) | yoy % chg |
|-----------------------------------|------------------|------------------|
| Revenue | | |
| 2017 | 298,654 | 194.2% |
| 2018 | 454,190 | 52.1% |
| Profit for the year/period | | |
| 2017 | 27,624 | 180.3% |
| 2018 | 34,023 | 23.2% |

BACKGROUND

- The Group manufacture and sell PHC piles and commercial concrete in the PRC. They have a production plant in Qidong City, Nantong, Jiangsu Province, the PRC, and their products are mainly sold to property developers and construction companies in Jiangsu Province.
- PHC piles are widely used in construction site for civil foundation works, and commercial concrete is a basic building material that is used in almost all construction projects.
- Due to the nature of commercial concrete which is a semi-finished product that will harden over time, the increase in transportation time will have a negative impact on the quality of concrete. They therefore concentrate their sale of commercial concrete (except for those produced by a subcontractor in Shanghai) mainly in Nantong within the Jiangsu Province, the PRC. As for their PHC piles, most of their customers are also within the Jiangsu Province.
- According to the F&S Report, there were over 40 PHC pile manufacturers in Jiangsu Province as at 31 December 2018. The top five market players accounted for around 83.6% of the total production volume in Jiangsu Province in 2018. Their market share in Jiangsu Province in 2018 was approximately 2.7% and 3.2% in terms of PHC pile production volume and sales revenue, respectively. According to the F&S Report, they ranked sixth in terms of both PHC pile production volume and sales revenue in Jiangsu Province in 2018.
- According to the F&S Report, there were over 900 commercial concrete manufacturers in Jiangsu Province as at 31 December 2018. The commercial concrete industry in Jiangsu Province is very fragmented, with the top five market players accounting for around 8.4% of the total production volume in Jiangsu Province in 2018. Their Group had a market share of approximately 0.1% and 0.2% in Jiangsu Province in 2018 in terms of commercial concrete production volume and sales revenue, respectively

BUSINESS STRATEGIES

- Expand their production facilities.
- Expand their workforce.
- Further improve their environmental protection system.
- Further strengthen their sales and marketing capabilities.
- Upgrade their ERP System.

COMPETITIVE STRENGTHS

- Stable relationship with their key customers.
- Their commitment to maintain quality control, safety standard and environmental protection.
- Flexible and pro-active sales service enjoyed by their customers.
- Their experienced management team has provided them with a competitive edge.

KEY RISKS

- As their PHC piles and commercial concrete are principally sold in Jiangsu Province, the demand for their products is predominantly dependent on the level of activity and growth in the construction industry in Jiangsu Province. Their lack of geographical diversity exposes them to risks associated with fluctuations in the political and economic conditions of Jiangsu Province.
- The prices of raw materials such as cement, sand and gravel are subject to price volatility caused by external conditions, and they may be unable to pass on some of the increases to their customers.
- They record net current liabilities as at 31 December 2016 and 2017, and the net current liabilities position may expose them to liquidity risk which could restrict their ability to make necessary capital expenditure or develop business opportunities.
- The PHC pile and commercial concrete industry is subject to significant regulation by the PRC Government. In order to engage in PHC piles and commercial concrete production, they are required to maintain certain licences and permits such as the "Construction Enterprise Qualification Certificate". In addition, their products are also required to meet certain standards stipulated by various PRC Government authorities. Should there be any change to the existing requirements or new requirements applicable to their PHC piles and concrete products, they may need to incur additional expenses to ensure compliance.
- Any slowdown in the PRC economy or changes in political and economic policies of the PRC Government could have an adverse effect on the overall growth in the PRC, which could reduce the demand for their products and materially and adversely affect their business, financial condition and results of operations.

DIVIDEND POLICY

- No fixed dividend policy.

USE OF PROCEEDS

| | HK mn | As a percentage of gross proceeds from the Invitation |
|---|-------------|---|
| Expand their production facilities | 32.6 | 48.6% |
| Expand their workforce | 1.7 | 2.5% |
| Further improve their environmental protection system | 4.1 | 6.1% |
| Further strengthen their sales and marketing capabilities | 3.5 | 5.2% |
| Upgrade their ERP System | 2.3 | 3.5% |
| Repayment of bank loans | 22.7 | 33.7% |
| General working capital. | 0.3 | 0.4% |
| Total: | 67.2 | 100.0% |

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