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Hong Kong

IPO FACT SHEET

Wecon Holdings Ltd. (1793 HK)

ISSUE STATISTICS

Offer Size:	HK\$125m – HK\$150m
Placement Tranche:	200m
Price:	HK\$0.625 – HK\$0.75
Board lot:	4,000
Entry fee:	HK\$3,030.23
Historical PE	12.08x – 14.49x
Net tangible asset per share:	HK\$0.25-HK\$0.28
Market Cap (post-IPO):	HK\$500m - HK\$600m
Open:	30 Jan 2019
Close:	12.00 noon on 15 Feb 2019
Trading:	27 Feb 2019
Sponsor:	VMS Securities Limited

Year ended 31 Mar	(HK\$'000)	yoy % chg
Revenue		
2017	722,075	71.0%
2018	980,828	35.8%
Profit for the years/period		
2017	31,818	57.5%
2018	41,407	30.1%

BACKGROUND

- They are a long-established main contractor in Hong Kong with around 35 years of experience in the construction industry and principally
 engage in the provision of (i) building construction services; and (ii) RMAA works services.
- With a total number of 177 employees as at the Latest Practicable Date and leveraging on their experience and qualifications, they provide construction services to customers in both the private and public sectors.
- Their building construction services primarily consist of building works for new buildings, including residential, commercial and industrial buildings, while their RMAA works services include the general upkeep, maintenance, improvement, refurbishment, alteration and addition of existing facilities and components of buildings and their surroundings.

BUSINESS STRATEGY AND FUTURE PLANS

- The continuance to strengthen their market position in the industry and expand their market share in Hong Kong.
- The continuance to strengthen their manpower.
- The development of engineering and technological innovation to improve their operational efficiency and enhance their quality of service.
- The adherence to prudent financial management to ensure sustainable growth and capital sufficiency.

COMPETITIVE STRENGTHS

- A strong and reliable client base with an established track record and reputation in the construction industry for around 35 years.
- Possession of a wide range of qualifications to capture business opportunities.
- Established long term relationship with subcontractors and suppliers.
- Experienced and professional management teams.
- Commitment to maintain safety standard, quality control and environmental protection.

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Wednesday, 30 January 2019

KEY RISKS

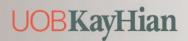
- Their revenue relies on their contracts being awarded through tendering or quotation processes which are not recurrent in nature. There is no guarantee on their continual success in project tenders or quotation and their sustainability and financial performance may be materially and adversely affected.
- They are exposed to concentration risk of heavy reliance on their largest and major customers.
- They rely on their subcontractors to perform generally most of the works of their projects; any fluctuations in subcontracting costs, unsatisfactory performance or unavailability of their subcontractors may materially and adversely affect their operations and profitability.
- They may suffer from cash flow shortcomings due to mismatch in time between receipt of progress payments from their customers, and
 payments to their suppliers and subcontractors.
- Changes in the prices and availability of raw materials may materially and adversely affect their operating results.
- They provide surety bonds in the course of their business operations which could affect their liquidity position.

DIVIDEND POLICY

They expect to pay not less than 30% of their distributable net profit for the year ending 31 March 2019 as dividends.

USE OF PROCEEDS

	HK mn	As a percentage of gross proceeds from the Invitation (%)
Continue to strengthen their capacity in undertaking more building construction and RMAA works projects in Hong Kong.	76.55	71.4%
Continue to strengthen their manpower.	16.50	15.4%
Upgrade and renovation of their office.	4.15	3.9%
Develop engineering and technological innovation.	3.33	3.1%
General working capital.	6.69	6.2%
Total:	107.2	100.00%



Hong Kong

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