

**IPO FACT SHEET**
**Wenye Group Holdings Limited (1802)**
**ISSUE STATISTICS**

<b>Offer Size:</b>	HK\$157.41m – HK\$203.45m
<b>Placement Tranche:</b>	148.5m
<b>Price:</b>	HK\$1.06 – HK\$1.37
<b>Board lot:</b>	2,000
<b>Entry fee:</b>	HK\$2,767.61
<b>Historical PE</b>	9.01x – 11.64x
<b>Net tangible asset per share:</b>	HK\$1.09 – HK\$1.16
<b>Market Cap (post-IPO):</b>	HK\$629,640,000 – HK\$813,780,000
<b>Open:</b>	31 Dec 2019
<b>Close:</b>	12.00 noon on 6 Jan 2020
<b>Trading:</b>	14 Jan 2020
<b>Sponsor:</b>	Fortune Financial Capital Limited

Year ended 31 Dec	(RMB mn)	yoy % chg
Revenue		
2017	1,266.8	1.7%
2018	1,440.8	13.7%
Profit and total comprehensive income for the year/period		
2017	56.5	23.1%
2018	60.1	6.4%

**BACKGROUND**

- With approximately 30 years of operating history, they are an established building decoration services provider based in Shenzhen, Guangdong Province.
- According to the F&S Report, they ranked 28th in the PRC building decoration market in 2018 and had a market share of approximately 0.03% in terms of revenue in 2018.
- They possess a range of the highest level of qualifications and licences in the building decoration industry in the PRC, including, among others, (i) Grade I Professional Contractor of Building Renovation and Decoration Engineering (建築裝修裝飾工程專業承包壹級); (ii) Grade I Professional Contractor of Curtain Wall Engineering (建築幕牆工程專業承包壹級); (iii) Grade I Professional Contractor of Building Electrical and Mechanical Installation and Engineering (建築機電安裝工程專業承包壹級); (iv) Grade A Professional Building Decoration Engineering and Design (建築裝飾工程設計專項甲級); (v) Grade A Professional Curtain Wall Engineering and Design (建築幕牆工程設計專項甲級); (vi) Grade I Professional Contractor of Electronic Building Intelligent Engineering (電子與智能化工程專業承包壹級); and (vii) Grade I Professional Contractor of Fire Safety Equipment Engineering (消防設施工程專業承包壹級).
- They may act as a main contractor or subcontractor for their projects depending on the availability of opportunities in the market.
- They also provide customised interior design and curtain wall design services to their customers. Their design team comprised 35 members as at 30 June 2019, primarily focusing on the formulation of design solutions based on customers' requests and specifications. In addition, they have a research and development team comprising eight members as at 30 June 2019, primarily focusing on building automation systems design and development. As at the Latest Practicable Date, they have obtained 15 patents in respect of various building decoration technologies in the PRC.

**BUSINESS STRATEGIES**

- Expand their core business through continued investments in their projects.
- Optimise their sales network to further increase their revenue.
- Recruit talent to increase their capacity and improve their competitiveness.
- Upgrade their information technology systems to modernise their operations.
- Enter into strategic partnerships and make strategic equity investments to drive long-term growth.

#### COMPETITIVE STRENGTHS

- They are a reputable building decoration service provider with a well-established history of providing award-winning services.
- They possess a range of the highest level of qualifications and licences in the building decoration industry and have a track record of managing and performing works on sophisticated, large public infrastructure and transportation hubs.
- They have a diverse customer base, with major customers spread across different sectors of the economy.
- They have award-winning design capabilities.
- They have a dedicated management team and a team of experienced project managers.

#### KEY RISKS

- Their Group has a low subsequent settlement of trade receivables during the Track Record Period and there is no guarantee that their customers will make payment to them on time and in full and they are therefore subject to credit risks.
- Mismanagement of their working capital or failure to obtain adequate funding may interrupt their business operations and adversely affect their expansion plans.
- Their Group recorded cash outflow from operating activities for the year ended 31 December 2017 and the six months ended 30 June 2019. If their Group records cash outflow from operating activities in the future, their liquidity and financial condition may be materially and adversely affected.
- They may not be able to bill and receive the full amount of contract assets and their revenue may fluctuate due to variation orders.
- If they are unable to accurately estimate and control their project costs or their progress towards completion, their profitability may be adversely affected.
- There is no guarantee that they will succeed in their tender process or their customers will award new contracts to them in the future which may adversely affect their financial performance.
- Project delays may result in substantial liabilities, which may materially and adversely affect their cash flow position and financial condition.

#### DIVIDEND POLICY

- No fixed dividend policy.

#### USE OF PROCEEDS

	HK mn	As a percentage of gross proceeds from the Invitation
Will be used to fund their capital needs and cash flow under their existing and expected projects.	80.2	61.2%
Will be used for the hiring of additional project managers and designers by the end of 2019 to improve their service capacity and competitiveness.	10.6	8.1%
Will be used for the improvement of their existing branch offices in Beijing, Tianjin, Wuhan, Nanjing, Chongqing, Hangzhou, Guiyang and Weihai.	27.4	20.9%
Will be used for working capital and general corporate purposes.	12.9	9.8%
<b>Total:</b>	<b>131.1</b>	<b>100.0%</b>

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