



Landrich Holding [2132.HK]

Issue Particulars

Industry sector	Construction
Listing category	Mainboard
Major Shareholders	Mr. KK Tsui(75%)
Total new shares issued (mn)	400
Issue price (HK\$)	0.325-0.340
Total share offer size (HK\$m)	130-136
Shares offered for Placement (mn)	360
Shares offered for IPO (mn)	40
FY20 profit (HK\$ mn)	40
FY20 P/E(x)	13.0-13.6
Market cap. of shares (HK\$m)	520-544
Total outstanding shares (new + existing shares)(mn)	1,600
NAV per share(HK\$)	0.12
Nominal Value (HK\$)	0.01
Board Lot (shares)	8,000
Sponsors	Frontpage Capital

Time Table

IPO open	30-Sep-2020
IPO close	9-Oct-2020
Results announcement date	19-Oct-2020
Cheques refunded	19-Oct-2020
Dealing of shares	20-Oct-2020

Financial Data

FYE 31 Mar (HK\$ mn)	FY18	FY19	FY20
Revenue	482	530	609
Direct Cost	(426)	(461)	(534)
Gross Profit	56	68	75
Other income	0	5	2
Administrative exp.	(19)	(42)	(27)
Finance cost	(0)	(0)	(1)
Profit before tax	37	31	49
Taxation	(6)	(7)	(9)
Net Profit	31	24	40

Clawback Structure

Over subscription for IPO (x)	% of IPO for the total share offer
15-50	30%
50-100	40%
Over 100	50%

Business

Landrich is a contractor of undertaking construction works in Hong Kong. Landrich started business in 1993 and have accumulated of solid track record in the construction industry in Hong Kong. Landrich is able to undertake civil engineering works as either a main contractor or a subcontractor. Landrich mainly focused on civil engineering projects, some of which were large scale.

Landrich civil engineering projects can be broadly classified as roads and drainage works and site formation works. Landrich also offered building works and we were the subcontractor of one structural works project in a university in Hong Kong.

Landrich was awarded four building works projects. Landrich is registered on the Approved Contractors List maintained by the Development Bureau in the categories of Site Formation (Group B (Probation)), Roads and Drainage (Group B (Probation)) and Roads and Drainage (Group C (Probation)), which enable us to directly tender for public works contracts in these works categories with various range of contract sums.

Landrich recent years has diversified to other construction works, i.e. building works. However, civil engineering work still accounted for 81.2% of the Group's revenue in FY20(Y/E Mar). Majority of Landrich come from subcontractor work, which accounted for the Group's 62-79% of total revenue in the past 5 fiscal years. The largest and the five largest customers accounted for 31.7% and 80.6% of Landrich's total revenue in FY20. Besides, more than 90% of the Group's come from public sector in the past, but it lowered to 73.7% in FY20.

The Group's revenue and profit improved obviously in FY20. However, Landrich only has 1% market share in the civil engineering, which is much below than industry's leaders. Its fundamental is not too attractive. Neutral.

Use Of Proceeds

• Finance three existing main contractor projects	40.1%
• Acquire machinery and equipment	31.0%
• Forming a new project management team	19.7%
• Upgrade enterprise information system	4.1%
• Enhance innovation and productivity	1.6%
• General working capital	3.5%

Analyst: Samuel Chua, CFA
schua@kgi.com

Some of KGI Asia equity research and earnings estimates are available electronically on KGIEWORLD.COM. Please contact your KGI representative for information

The information and opinions in this report are those of KGI Asia Ltd. internal research activity. KGI Asia Ltd. does not make any representation or warranty, express or implied, as to the fairness, accuracy, completeness or correctness of the information and opinions contained in this report. The information and opinions contained in this report are subject to change without any notice. No person accepts any liability whatsoever for any loss however arising from any use of this report or its contents. This report is not to be construed as an invitation or offer to buy or sell securities and/or to participate in any investment activity. This report is being supplied solely for informational purposes and may not be reproduced or published (in whole or in part) for any purpose without the prior written consent of KGI Asia Ltd.. Members of the KGI group and their affiliates may provide services to any companies and affiliates of such companies mentioned herein. Members of the KGI group, their affiliates and their directors, officers and employees may from time to time have a position in any securities mentioned here.