

**BGMC INTERNATIONAL LTD:
WILL THIS FLOTATION REALLY PAN OUT FOR MANAGEMENT ?**

It took the best part of three years for this Malaysian company to complete all of the many and varied requirements in order to obtain a listing on the premier equity market of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), but, today, BGMC International Ltd () (Code: 1693, Main Board, The Stock Exchange of Hongkong Ltd) is a done deal.

BGMC International Ltd launched its 501-Page, Global Offering Prospectus, which was published and disseminated in the HKSAR on July 31, 2017.

The Global Offering was 450 million, one-cent Shares at the Indicative Offer Price Per Share, ranging from a low of 60 cents to a high of 90 cents.

Of the total number of shares on Offer, HKSAR Investors were Offered 45 million Shares and the remaining 405 million Shares were reserved to be Placed with International Investors.

On August 8, 2017 – last Tuesday – Management announced that the Offer Price Per Share had been struck at 70 cents and that the net proceeds from this Initial Public Offering (IPO) were estimated to be in the region of \$HK265.20 million.

The HKSAR, Public Offer tranche had been 30.37 times over-subscribed and the International Placing tranche had been '*moderately over-subscribed*', the investing public was apprised.

At Page Eight of the August 8 Allotment Results Announcement, Management informed prospective investors how the net proceeds would be allocated:

1. Approximately, \$HK172.40 million, that is about 65 percent, '*for financing the start-up, operation and implementation costs for our prospective construction projects, including costs for procuring raw materials, mechanical and electrical equipment and sub-contractors, as part of our business strategies to increase our market share in the construction industry in Malaysia and overseas*';
2. Approximately, \$HK66.30 million, that is about 25 percent, '*to finance the acquisition of additional machinery and equipment to lower construction costs in the long-term*'; and,
3. Approximately, \$HK26.50 million, that is about 10 percent, '*for working capital and other general corporate purposes*'.

The Business Of BGMC International Ltd

At Pages 110 and 111 of the Global Offering Prospectus of BGMC International Ltd, one was told, in an '**OVERVIEW**', as to the business of the Company:

'Founded in 1996, we are a construction services company based in Malaysia with over 20 years of operating history, and are principally engaged in the provision of a wide range of construction services. Leveraging our experience and expertise in construction

services, we also have the capability to undertake PPP Projects (public private partnership, which involves the transfer to the private sector the responsibility to finance and manage a package of capital investment and services, including the construction, management, maintenance, refurbishment and replacement of public sector assets) based on the BLMT model (a build, lease, maintain and transfer model for implementing PPP Projects) which enables us to benefit from long-term recurring cashflow. According to the Industry Report, we would rank the 21st when compared to the publicly listed construction companies in Malaysia in 2016 in terms of our revenue from our construction services business.

‘Our business model and business focus

‘Construction services have been the principal business segment of our Group during the Track Record Period (the 42 months to March 31, 2017). It has been an integral part of our business since our establishment and contributed to the vast majority of our Total External Segment Revenue of 99.9%, 99.9%, 90.5% and 92.9%, respectively, for the three financial years ended 30 September 2016 and 1H2017. We are capable of providing integrated solutions for our construction services, ranging from managing, supervising and coordinating with other parties involved for efficient project execution, sourcing the necessary construction materials, and conducting quality assessment on the construction works. We also offer post-completion services, including asset management, to our customers. During the Track Record Period, we provided our customers with construction services that cover four areas: (i) building and structural construction works; (ii) mechanical and electrical installation works; (iii) earthworks and infrastructure construction works; and (iv) energy transmission and distribution works. In addition to construction services, we undertook the UiTM BLMT Project (the PPP project for the construction of the UiTM Campus under the BLMT model) for the construction of the UiTM Campus (the Dengkil campus compound of UiTM [Universiti Teknologi MARA, a university established under the Universiti Teknologi MARA Act 1976]) and post-construction asset management services pursuant to the UiTM Concession Agreement

‘Our construction projects business model comprise the provision of construction services with contract period typically not exceeding five years, and we earn revenue after certification of scheduled progress claims upon completion of certain stages of construction works. The funding requirement for construction projects usually comprises project start-up, operation and implementation costs for construction works. Our customers for construction projects can include both developers and government-linked companies, and the project designs are usually handled by third party consultants engaged by the customers. We ensure the maintenance of the construction only for the defective liability period.

‘Our UiTM BLMT Project business model operates on the basis of a concession granted over a relatively longer term of 23 years, and comprise not only the provision of construction services for the first three years in respect of the construction of the UiTM Campus, but also making available the completed UiTM Campus to UiTM and the provision of asset management services for the remaining 20 years of the Concession Period. At the end of the Concession Period, we are obliged to transfer the buildings, facilities and infrastructure of the UiTM Campus free from encumbrances to UiTM. Revenue from the UiTM BLMT Project is structured differently such that we earn monthly availability charges from UiTM as well as monthly asset management services charges for the provision of asset management services, which provides a long-term source of recurring cashflow over the Concession Period. As we receive monthly availability charges and asset management services charges only after completion of the construction of the UiTM Campus, the funding requirement is relatively higher as

intensive capital investment is required at the initial construction stage of the project. Customers for government concession projects only include government agencies or government-linked companies, and involve extensive dealings with the local authorities for approval of the concession project. Unlike the project designs for our construction projects, the project design is agreed directly with the customer instead of third party consultants. We also have to ensure the maintenance of the completed UiTM campus for a relatively longer time for the whole of the Concession Period as compared to only ensuring maintenance during the defect liability period for our construction projects...

*'In July 2012, we aimed to diversify our business interests and acquired an initial interest of 25% in KAS Engineering (KAS Engineering Sdn. Bhd.), a government concession project company which was granted the concession for the UiTM BLMT Project. We had identified the benefits of having a long-term source of recurring cashflow from the UiTM BLMT Project and the higher gross profit margins. Furthermore, acquiring a government concession project company would also create synergy with our construction services business as we could leverage our experience and expertise in the construction services business to undertake the construction work and asset management for the UiTM BLMT Project. Subsequently, our further acquisition of the remaining 75% interest of KAS Engineering in September 2015 better positioned us to capture the PPP Project tenders initiated by the Malaysian government under the PFI Programme (the **Private Finance Initiative Programme**) and benefit from the growth potential of government concession projects in Malaysia ...'.*

BGMC International Ltd had ... [CLICK TO ORDER FULL ARTICLE](#)

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