

IPO write-up

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Stock Information

Stock code:	3313 HK
Issue size:	333.334m shares (all new shares)
Green shoe option:	15%
Public/Placement tranche:	10%/90%
Share issue price:	HKD2.43-3.03
Market cap after listing:	HKD3,240-4,040m
Use of proceeds (net):	HKD816m, 40% capital requirements of the Yongfeng Mine, 30% construction of slab processing facilities, 10% expansion of sales channels, 10% potential M&A, 10% general working capital
Application list open	16th- 19th Dec 2013
Expected listing date:	30th Dec 2013
Book runners:	BofA Merrill Lynch, Haitong International
Profit forecast:	N/A
Dividend policy:	No fixed dividend policy (indicative only)
PBR:	3.6-3.7x pro forma adjusted net assets per share
Post IPO shareholders	Founders Mr. Liu (48.7%), Private Equity Carlyle Group (26.3%)
Cornerstone investors	Private Equity VMS Investment USD20m, 4.3% of post-IPO share capital, or 17.0% of offer shares

Artgo Mining

Company background

ArtGo is a branded marble producer with the largest marble mine and distribution network in China. The company currently owns and operates the Yongfeng Mine, which was the largest marble mine in China as of September 30 2013, with 106.9 million cubic meters of measured, indicated and inferred resources and 44.2 million cubic meters of proved and probable reserves as of September 30, 2013. Artgo currently sells marble products primarily through its distributors, which totaled 63 as of September 30, 2013 and was the largest marble distribution network in China, complemented by direct sales to corporate customers. The company also sells a small portion of products into the overseas markets.

Selling points and strength

- 1) Its position as a branded marble producer, supplier and seller in China following a vertically integrated business model, which is a large and rapidly expanding market.
- 2) Having the largest marble distribution network in China complemented by direct sales and overseas expansion.
- 3) Owning the largest marble resource in China, with premium quality and significant pricing potential.

Some points of concern

- 1) If end customers' consumption pattern changes, its marble products may fail to gain market acceptance.
- 2) Dependence on a single mining project is a source of risk and uncertainty.
- 3) Its marble resources and reserves are estimates based on a number of assumptions and Artgo may not be able to produce the estimated amount of marble.
- 4) The quality and characteristics of marble produced in the future may not be the same as the samples currently available.

Financial Summary (Year ended Dec 31)

	Jun15-Dec31	2012	Jan-Sept	Jan-Sept
CNY'000	2011		2012	2013
Revenue	173	8,210	2,307	92,054
Marble slabs	0	7,706	1,825	62,852
Marble blocks	173	504	482	29,202
Cost of sales	(126)	(4,505)	(1,134)	(35,581)
Gross Profit	47	3,705	1,173	56,473
Net profit	(4,122)	(19,421)	(11,252)	9,321

Source: Company data, Maybank Kim Eng

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