

## IPO write-up

Ivan LI, CFA  
 ivanli@kimeng.com.hk  
 (852) 2268 0641

### Stock Information

Stock code:	3369 HK
Issue size:	829.853m shares (91% new shares, 9% old shares)
Green shoe option:	15%
Public/Placement tranche:	10%/90%
Share issue price:	HKD5.25-6.70
Market cap after listing:	HKD26.404-33.697b
Use of proceeds (net):	HKD4.25732b, 65% construction of two ore berths, 25% repay bank loans, 10% general working capital
Application list open	29th Nov- 4th Dec 2013
Expected listing date:	12th Dec 2013
Book runners:	Citi, CICC, HSBC
Profit forecast:	N/A
Dividend policy:	No less than 40% (indicative only)
PER:	9-11x 1H13 annualized PER (prospectus)
Post IPO shareholders	Hebei Port Group (61.72%), QinHuangDao SASAC (12.52%)
Cornerstone investors	7 investors, incl. Zhongrong Int'l Trust, China Coal Hong Kong, CCCC Int'l, China Datang Overseas, Taiping General Insurance etc.  Total amount USD240m, 37.5% of offered shares, or 6.2% of post-IPO share capital.

## QinHuangDao Port

### Company background

QinHuangDao Port (QHD) is the world largest independent port operator for major dry bulk cargo in terms of throughput in 2012. The company operates QinHuangDao Port, the world's largest coal port, which accounted for approximately 31.9% of the total volume of seaborne coal loaded by the coastal ports in China. QHD is also one of the most important ore port operators in the Bohai Rim of China.

### Selling points and strength

- 1) Being the world's largest coal port and the major hub connecting China's most important coal transportation arteries, QinHuangDao Port is of strategic importance to the nation's economy.
- 2) QHD has successfully consolidated port resources in the Bohai Rim, which has enabled the company to expand its hinterland, realize synergies across ports and diversify its cargo mix and is expected to drive future growth.
- 3) The ports are endowed with advantageous natural and geographical attributes and enjoy high accessibility.

### Some points of concern

- 1) A significant decrease in domestic coal consumption within the PRC may have a material adverse effect on business operations and financial position.
- 2) If PRC domestic coal users start to use a large amount of imported coal in substitution for domestic coal in the long term, business and operations may be adversely affected.
- 3) Competition from nearby ports and other port operators may have an adverse impact on business and operations.

### Financial Summary (Year ended Dec 31)

CNY'000	FY2010	FY2011	FY2012	1H13
Revenue	5,109,548	5,734,310	6,250,162	3,386,526
Cost of sales	(3,158,540)	(3,254,410)	(3,536,081)	(1,860,196)
Gross profit	1,951,008	2,479,900	2,714,081	1,526,330
Finance costs	(156,459)	(208,906)	(259,209)	(144,514)
Net profit	1,096,600	1,060,649	1,397,296	1,202,212
Gross profit margin (%)	38.18	43.25	43.42	45.07
Net profit margin (%)	21.46	18.50	22.36	35.50

Source: Company data, Maybank Kim Eng

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