

**IPO FACT SHEET**

**Heaven-Sent Gold Group Company Limited (1342)**

**ISSUE STATISTICS**

<b>Offer Size:</b>	HK\$1,053.8m – HK\$1,407.7m
<b>Placement Tranche:</b>	80,440,000 Shares
<b>Price:</b>	HK\$13.10 – HK\$17.50
<b>Board lot:</b>	200
<b>Entry fee:</b>	HK\$3,535.27
<b>Historical PE</b>	N/A
<b>Net tangible asset per share:</b>	HK\$4.72 – HK\$5.79
<b>Market Cap (post-IPO):</b>	HK\$4,215m – HK\$5,631m
<b>Open:</b>	8 Nov 2019
<b>Close:</b>	12.00 noon on 18 Nov 2019
<b>Trading:</b>	25 Nov 2019
<b>Sponsor:</b>	CLSA Capital Markets Limited

<b>Year ended 31 Dec</b>	<b>(USD'000)</b>	<b>yoy % chg</b>
<b>Revenue</b>		
2017	130,316	-2.1%
2018	220,065	68.9%
<b>Profit / loss for the year/period</b>		
2017	-10,457	-777.7%
2018	-10,543	0.8%

**BACKGROUND**

- They are a growth and efficiency-driven South African gold mining company. They have successfully acquired assets in South Africa from major mining houses and their operational efficiency has been improving since the acquisitions.
- Their principal business is mining gold-containing ore and smelting it into doré bars, and their revenue is predominantly derived from the sale of gold.
- Their annual production volume of gold was 168,031 ounces in 2018, making them the fourth largest gold mining company in South Africa, according to Frost & Sullivan.
- Their Company was incorporated in Hong Kong in March 2015 to venture into the gold mining industry in South Africa through the acquisition of VMR. VMR was incorporated in 1934, listed on the JSE in 1944, and owned various mining assets, such as the Tau Lekoa Mine and Nicolor Plant.
- The Company's acquisition of 100% of the issued share capital of VMR was fully funded by the Controlling Shareholders using its internal cash reserves and was completed in June 2015 by way of a scheme of arrangement. Consequently, VMR became a subsidiary of the Company and was taken private and delisted from the JSE in June 2015.
- Their portfolio of assets includes (i) two underground gold mining assets, namely the Tau Lekoa Group (including the operating Tau Lekoa Mine and two development projects, namely, the Weltevreden project and the Goedgenoeg project) and the Kopanang Mine, (ii) the Buffels surface material site and (iii) two processing plants, namely, West Gold Plant and Nicolor Plant. All of these assets are situated in close proximity to each other near the town of Orkney, which is approximately 200 km southwest of Johannesburg.
- As of June 30, 2019, their total proved and probable Mineral Reserves amounted to 1.43 million ounces, comprising 0.52 million ounces at 3.80 g/t from the Tau Lekoa Group, 0.76 million ounces at 4.93 g/t from the Kopanang Mine, and 0.14 million ounces at 0.52 g/t from the Buffels surface material site, according to the CPR.

**BUSINESS STRATEGIES**

- Extend mine life through organic growth and optimizing mine design.
- Maintain their regional focus in South Africa and explore acquisition opportunities in other countries in Africa.
- Further improve management and operational efficiency.
- Implement innovative technologies and methodologies on their mining operations.

#### COMPETITIVE STRENGTHS

- Abundant gold reserves and significant resource base with a well-understood ore body of high continuity and reasonable expectation of resource to reserve conversion.
- Successful acquisitions of assets from major mining houses and improvement in operation of such assets in South Africa.
- Well-established quality infrastructure to enable significant future growth.
- Competitive operational efficiency in the South African gold mining industry with potential for further improvement.
- Highly experienced management team and seasoned work force.

#### KEY RISKS

- Changes in the market price for gold, which in the past have fluctuated widely, may affect the profitability of their operations and the cash flows generated by those operations.
- Their operations are currently concentrated on two gold mines, and they are exposed to uncertainties in relation to these mines.
- Their failure to achieve their production estimates could have a material adverse effect on their business, results of operations and financial position.
- Failure of their plan to ramp up development projects may materially and adversely affect their business and future growth.
- Their business, results of operation and financial position will be materially and adversely impacted by the strength of ZAR and inflation in South Africa.
- They recorded net current liabilities and net operating cash outflows during the Track Record Period, which might expose them to certain liquidity risks and could constrain their operational flexibility.
- They incurred losses during the Track Record Period and cannot guarantee that they will realize a gross profit in 2019 or in the future.

#### DIVIDEND POLICY

- No fixed dividend policy.

#### USE OF PROCEEDS

	HK mn	As a percentage of gross proceeds from the Invitation
Development of new mining areas and operation of the Tau Lekoa Mine.	451.5	40.0%
Development and operation of the Weltevreden project.	338.6	30.0%
Development of new mining areas and operation of the Kopanang Mine.	225.7	20.0%
Their working capital purpose.	112.9	10.0%
<b>Total:</b>	<b>1,128.7</b>	<b>100.0%</b>

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