

**CHINA RUNDONG AUTO GROUP LTD:  
A COMPANY WITH A MASSIVE TURNOVER, BUT  
DON'T HOLD YOUR BREATH, WAITING FOR A DIVIDEND**

While the Turnover of China Rundong Auto Group Ltd () (Code: 1365, Main Board, The Stock Exchange of Hongkong Ltd) is very material by any standard that one may choose to employ, the profit margins of this motor-vehicle purveyor can only be described as being miniscule.

This single factor may well be the principal reason that no dividends will be recommended before the commencement of the 2016 Financial Year ... if at all.

China Rundong Auto is the last of the batch of **Initial Public Offerings (IPOs)** that were Offered to the investing public, during the month of July.

This IPO is a Global Offering of 268,619,000, \$US0.0000005 Shares at the Indicative Offer Price Per Share, ranging from a low of \$HK3.58 to a high of \$HK3.98.

Of the total number of shares on Offer, 26,862,000 Shares were reserved for investors of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), while 241,757,000 Shares were reserved for International Investors.

Last Friday, at 8:23 pm, investors, who applied for Shares in this IPO, received detailed information in respect of this cash-raising exercise and, especially, as to the agreed Offer Price Per Share between Management and the Joint Sponsors.

In brief, that which the Company stated indicated, definitively, that the flotation had been somewhat of a failure.

Page three of last Friday night's announcement stated, inter alia:

- *'The Offer Price has been determined at HK\$3.58 per Share (exclusive of brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%).*
- *'Based on the Offer Price of HK\$3.58 per Share, the net proceeds from the Global Offering to be received by the Company, before exercise of the Over-allotment Option, after deducting the underwriting fees and commissions and estimated expenses payable by the Company in relation to the Global Offering, are estimated to be approximately HK\$872.7 million...*
- *'Since the Hong Kong Public Offering is not fully subscribed for, the reallocation procedures as described in the section "Structure of the Global Offering — The Hong Kong Public Offering — Reallocation" in the Prospectus has been applied. A total number of 18,306,000 Hong Kong Offer Shares have been reallocated from the Hong Kong Public Offering to the International Offering. As a result of such reallocation, the number of Offer Shares allocated to the Hong Kong Public Offering has been reduced to 8,556,000 Offer Shares, representing approximately 3.19% of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-*

*allotment Option).*

- *'The Offer Shares initially offered under the International Offering were moderately oversubscribed. The final number of Offer Shares under the International Offering is 260,063,000 Offer Shares, representing 96.81% of the total number of Offer Shares under the Global Offering (before any exercise of the Over-allotment Option).'*

Based on the Offer Price Per Share of \$HK3.58, netting China Rundong Auto approximately \$HK872.70 million, this amount of money shall be utilised, one was told, last Friday night, as follows:

1. About 19.30 percent, that is, approximately, \$HK168.40 million, *'for establishing eight stores for BMW and MINI in Jiangsu and Shandong provinces and Shanghai'*;
2. About 14.30 percent, that is, approximately, \$HK128.40 million, *'for establishing four stores for Land Rover and Jaguar in Shanghai and Jiangsu province'*;
3. About 6.40 percent, that is, approximately, \$HK55.90 million, *'for establishing two stores for Maserati and Ferrari in Jiangsu and Shandong provinces'*;
4. About 30 percent, that is, approximately, \$HK261.80 million, *'for early repayment of certain of the Company's long-term bank borrowings, maturing between October 2014 to June 2015 with interest rates ranging from 8.0% to 8.3%, which were incurred to fund the Company's store construction'*;
5. About 20 percent, that is, approximately, \$HK174.50 million, *'for potential future acquisitions of luxury and ultra-luxury automobile dealership groups that are located in affluent coastal regions and other regions that are in line with the Company's strategic focus'*; and,
6. About 10 percent, that is, approximately, \$HK87.30 million, *'for the Company's working capital and other general corporate purposes'*.

### **The Business of China Rundong Auto**

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