

DFZQ:
IF IT IS TOO GOOD TO BE TRUE, THEN,
IT, PROBABLY, IS TOO GOOD TO BE TRUE

Management of DFZQ makes no bones about its financial situation, claiming that it relies heavily on bank and other borrowings in order to fund ‘*a significant portion*’ of its Working Capital requirements.

So much so is this fact that, without actually stating as such, the Company will be utilising a material sum of money, garnered from its Global Offering of 870 million ‘H’ Shares, the Nominal Value Per Share, being one renminbi, at the Indicative Offer Price Per Share of between \$HK7.85 and \$HK9.35, in order to bolster the amount of money in its already bulging coffers.

Orient Securities Company Ltd (), a company, incorporated in the People’s Republic of China (PRC) and trading in the Hongkong Special Administrative Region (HKSAR) as DFZQ () (Code: 3958, Main Board, The Stock Exchange of Hongkong Ltd) went public on the premier equity market of the HKSAR on June 22, 2016.

It Offered 71,775,200 ‘H’ Shares to HKSAR Investors and 885,224,800 ‘H’ Shares to International Investors.

(In addition to the 870 million Shares, Offered by the Company at this Global Offering, 12 existing shareholders of the Company were anxious, it appears, to offload, in aggregate, 87 million ‘H’ Shares – while the going was good, one must presume.)

On June 29, 2016, the Chairman of DFZQ, Mr Pan Xin Jun (), announced that the Offer Price Per ‘H’ Share had been determined at \$HK8.15.

Then, on July 7, 2016, (last Thursday) Management of DFZQ announced:

1. The HKSAR Offer tranche of 71,775,200 ‘H’ Shares had been under-subscribed as to 0.96 times of the total number of shares that was made available in this tranche (68,683,600 Offered Shares);
2. The International Offering ‘*had been moderately over-subscribed*’; and,
3. The Net Proceeds from the Global Offering was estimated to be about \$HK6,803.85 million.

The net proceeds are intended to be used as follows, one is told:

- About 35 percent, that is, approximately, \$HK2,381.35 million, ‘*in our brokerage and securities financing business*’ in order to collateralise stock-and-share purchases business, margin financing and securities lending and to expand the Company’s wealth-management team;
- About 30 percent, that is, approximately, \$HK2,041.16 million, ‘*in (the Company’s) overseas business*’ in order to support growth of the Company’s operations in the HKSAR ‘*with a focus on margin financing and other securities financing businesses*’ as well as to increase overseas asset allocations, ‘*including overseas securities sales and trading, investment management and*

investment banking businesses’;

- About 15 percent, that is, approximately, \$HK1,020.58 million, ‘*in investment management business*’ in order to expand ‘*the scale of our private equity business, including providing seed funding.*’ Also, this amount of money will be used ‘*to explore investment targets*’ and to support ‘*the growth and scale of our discretionary asset management business*’;
- About 10 percent, that is, approximately, \$HK680.39 million, ‘*in securities sales and trading business*’;
- About five percent, that is, approximately, \$HK340.19 million, ‘*for capital expenditure to improve IT (Information Technology) systems and expand our capital-light branches network*’; and,
- About five percent, that is, approximately, \$HK340.19 million, to be used as Working Capital.

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