

DLC ASIA LTD:
ONE MIGHT LIKE TO THINK TWICE
BEFORE BUYING INTO THIS COMPANY

DLC Asia Ltd () (Code: 8210, The **G**rowth **E**nterprise **M**arket [the **GEM**], The Stock Exchange of Hongkong Ltd) describes itself as being an interdealer broker, operating, exclusively, in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC).

According to the Share Offer Prospectus of the Company, an '*interdealer broker*' is defined at Page 25 in the following terms:

'A brokerage firm that facilitates transactions between institutional clients and financial institutions in relation to a wide range of financial instruments, including listed securities and futures contracts, listed structured products, unlisted fixed income products and OTC (over-the-counter) derivatives.'

As for the definition of a '*derivative*', it is defined in finance dictionaries as being:

'An arrangement or product (such as a future, option, or warrant) whose value derives from, and is dependent upon, the value of an underlying asset, such as a commodity, currency, or security.'

In a concise business overview of the activities of DLC Asia Ltd, prospective investors are told:

'Our Group is an interdealer broker in Hong Kong providing derivatives brokerage services to Professional Investors through our wholly-owned subsidiary, De Riva (De

Riva Asia Ltd), *which is a licensed corporation under the SFO (the Securities and Futures Ordinance, Chapter 571, the Laws of the HKSAR) and a HKFE (the HKSAR Futures Exchange) Exchange Participant. De Riva is licensed by the SFC (the Securities and Futures Commission of the HKSAR) to carry out type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities in Hong Kong for Professional Investors without providing any margin financing services. Under the licensing condition, De Riva can only provide services to Professional Investors.'*

The Initial Public Offering (IPO) Of DLC Asia Ltd

DLC Asia Ltd published and disseminated its Share Offer Prospectus on August 14, 2018.

The Company Offered 200 million, one-cent Shares at the Indicative Offer Price Per Share, ranging from a low of 25 cents to a high of 30 cents.

HKSAR Investors were Offered the opportunity to subscribe to 20 million Offered Shares and, presumably, Institutional and/or Professionals and/or qualified Well-Heeled Investors were Offered the remaining 180 million Share via select Share Placements.

On August 24, 2018, Management announced that the Offer Price Per Share had been struck at 25.50 cents and that the Company envisaged netting about \$HK27.30 million from the IPO.

As to how this modest amount of money would be utilised, the August 24 Announcement stated that investors should refer to the Share Offer Prospectus of August 14, 2018.

At Pages 240 through to 243 of the Share Offer Prospectus, it was stated that Management anticipated that the net proceeds from this cash-raising exercise would be utilised as follows (**TARGET** [] has taken the liberty of making adjustments to the original utilisations of the IPO, but cannot make adjustments to any other matters, other than the utilisation of the Net Proceeds, stated in Item i):

- i. Approximately, \$HK11.96 million, that is about 43.80 percent of the net proceeds, *'will be used to prepare De Riva to apply for becoming a Clearing Participant, among which:*
 - *approximately HK\$5.0 million which equals to approximately 16.1% of our Net Proceeds will be used to fulfill the liquid capital deposit requirement from HKEx;*

- *approximately HK\$1.5 million which equals to approximately 4.8% of our Net Proceeds will be used to fulfill the level of reserve fund contributions for futures Clearing Participant deposit;*
- *approximately HK\$1.5 million which equals to approximately 4.8% of our Net Proceeds will be used to fulfill the level of reserve fund contributions for stock options Clearing Participant deposit;*
- *approximately HK\$4.0 million which equals to approximately 12.9% of our Net Proceeds will be used to fulfill the additional cash flow estimated to be needed for acting as a Clearing Participant; and,*
- *approximately HK\$1.6 million which equals to approximately 5.2% of our Net Proceeds will be the ongoing cost used to recruit competent personnel including two operation officers, one software engineer for the development, execution of clearing operation and one external expert for maintenance of clearing operation.'*

- ii. *Approximately, \$HK7.23 million, that is about 26.50 percent of the Net Proceeds, 'will be used to expand our business activities and market share in the OTC market by introducing two new OTC product categories, in particular, OTC Eurex MSCI derivatives market and OTC KOSPI 200 derivatives market';*
- iii. *Approximately, \$HK6.09 million, that is about 22.30 percent of the Net Proceeds, 'will be used for our office expansion plan'; and,*
- iv. *Approximately, \$HK2.02 million, that is about 7.40 percent of the Net Proceeds, 'will be the ongoing cost used for enhancing our business of the HKEx segment as ongoing staff cost by employing one senior licensed broker for the HKEx listed index futures and options.'*

The Business And History Of DLC Asia Ltd

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