

**SHANGHAI DONGZHENG AUTOMOTIVE FINANCE COMPANY LTD:
MANAGEMENT’S SLAP IN THE FACE MIGHT HAVE SMARTED
SOMEWHAT, BUT THAT CASH INJECTION OF
\$HK1.53 BILLION MUST HAVE SOOTHED THE PAIN**

Whether or not that which originally transpired in respect of the very early days of the **Initial Public Offering (IPO)** of Shanghai Dongzheng Automotive Finance Company Ltd () (Code: 2718, Main Board, The Stock Exchange of Hongkong Ltd) might have been construed as a ‘*Slap in the Face*’, administered to Senior Management of the Company by prospective investors, may still be open to interpretation of the facts,.

But regardless of that which might have been considered the rather negative aspects in respect of this IPO, for Senior Management to obtain more than \$HK1.53 billion is hardly anything at which to sneeze.

The IPO Of Shanghai Dongzheng Automotive Finance Company Ltd

Shanghai Dongzheng Automotive Finance Company Ltd published its Global Offering Prospectus on March 14, 2019.

The Company, originally, Offered a total of 533,336,000 ‘H’ Shares at the Indicative Offer Price Per Share, ranging from a low of \$HK4.20 to a high of \$HK6.30.

However, on Wednesday, March 20, 2019, Mr Lin Fan (), the Chairman of the Company, announced that it had been determined that the Offer Price Per Share would be revised –downward.

On Monday, March 25, 2019, Mr Lin Fan announced that the Offer Price had been revised down to \$HK3.06 *‘which is below the low end of the indicative Offer Price range set out of the Prospectus,’* the Issue of the Supplemental Prospectus stated at Page Two.

The Supplemental Prospectus, also, stated that the *‘Listing is expected to commence on Wednesday, 3 April 2019’* instead of the original date, as stated in the Global Offering Prospectus, of Tuesday, March 26, 2019.

On April 2, 2019, in the ***‘Announcement of (the) Allotment Results’***, it was stated at Page Three:

‘The aggregate net proceeds that we expect to receive from the Global Offering, after deduction of underwriting fees and other estimated expenses payable by us, based on the Offer Price of HK\$3.06 per H Share and assuming the Over-allotment Option is not exercised, will be approximately HK\$1,533.5 million. The Company intends to apply such net proceeds in accordance with the purposes as set out in the section headed “Net Proceeds from the Global Offering” in this announcement.’

At Pages 10 and 11 of this Announcement, it was stated that the aggregate net proceeds from the IPO were anticipated to be utilised as follows:

- A. Approximately, 70 percent of the net proceeds, that is about \$HK1,073.40 million, *‘will be used to support the development of our business with External Customers, of which:*
- *65% of the net proceeds (approximately HK\$996.7 million) will be used to fund the self-operated retail loans to be disbursed to External Customers;*
 - *5% of the net proceeds (approximately HK\$76.7 million) will be used to develop the network of the External Dealers’;*
- B. Approximately, 15 percent of the net proceeds, that is about \$HK230.00 million, *‘will be used to fund self-operated retail loans to be disbursed to ZhengTong Customers’;*
- C. Approximately, Five percent of the net proceeds, that is about \$HK76.70 million, *‘will be used to develop our technological, operational and risk management capabilities’;* and,

- D. Approximately, 10 percent of the net proceeds, that is about \$HK153.30 million, *‘will be used for general working capital’*.

In respect of the Allotment Results, the April 2 Announcement stated that the Hongkong Offer Shares tranche of 53,344,000 ‘H’ Shares had been substantially undersubscribed with *‘2,398 valid applications for a total of 5,909,000 Hong Kong Offer Shares, representing approximately 0.11 times of the total number of 53,334,000 Hong Kong Offer Shares initially available for subscription under the Hong Kong Public Offering’*.

In respect of the International Offer Shares tranche of 480,002,000 ‘H’ Shares, it had been *‘moderately over-subscribed’*, one was told, after taking into account, inter alia, the reallocation of 47,425,000 unsubscribed Hongkong Offer Shares and 24,979,704 unsubscribed Reserved Shares to the International Offer Shares tranche.

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