

IPO FACT SHEET

Shanghai Dongzheng Automotive Finance Co., Ltd (2718)

ISSUE STATISTICS

Offer Size:	HK\$1,632m
Placement Tranche:	533,336,000 shares
Price:	HK\$3.06
Board lot:	1,000
Entry fee:	Adjusted according to new offer price
Historical PE	12.64x
Net tangible asset per share:	HK\$2.04
Market Cap (post-IPO):	HK\$6,528m
Open:	25 Mar 2019
Close:	17.00 p.m on 27 Mar 2019
Trading:	03 Apr 2019
Sponsor:	China International Capital Corporation Hong Kong Securities Ltd and Credit Suisse (Hong Kong) Ltd

Year ended 31 Dec	(RM'000)	yoy % chg
Revenue		
2016	583,500	40.1%
2017	1,051,300	80.2%
Profit and total comprehensive income for the year		
2016	260,773	49.5%
2017	452,517	73.5%

BACKGROUND

- They are the only auto finance company, or AFC, with a dealership background in China, licensed and regulated by the China Banking and Insurance Regulatory Commission.
- They specialize in providing auto finance products and services for the purchase of luxury-brand cars. In 2018, they disbursed 31,577 retail loans for the purchase of luxury-brand cars with an aggregate principal amount of RMB6,108.2 million, accounting for 75.7% of the number of retail loans they disbursed in total and 86.3% of the aggregate principal amount of retail loans they disbursed during the same period.
- Given their focus on luxury-brand cars, the average loan principal amount that their retail loan customers received in 2017 was RMB220,028, which ranked third among all the AFCs in China in 2017, and was substantially higher than the industry average of RMB98,411 for the same period.
- They had a market share of 2.0% in terms of the aggregate principal amount of loans disbursed for luxury-brand cars by all AFCs in 2017, according to the CIC Report.
- Their Company is a subsidiary of ZhengTong, their Controlling Shareholder. The listing of their H Shares on the Main Board of the Stock Exchange is a spin-off from ZhengTong.

BUSINESS STRATEGY AND FUTURE PLANS

- Expand and optimize their dealer network by continuing to work directly with dealers, focusing on luxury-brand car dealers and expanding their geographic reach.
- Optimize their product and service portfolio by developing more innovative products and offering more customized services.
- Enhance their operational and management capabilities by more accurately evaluating dealers' performance and assessing their risk profiles.
- Enhance their technological capabilities by increasing their investment in new technologies and recruiting additional talents.
- Further diversify their funding sources by issuing ABS and financial bonds on the national inter-bank market.

COMPETITIVE STRENGTHS

- Strategic focus on the luxury-brand auto finance market since their inception.
- Unique dealership background and nationwide coverage.
- Stable and diversified funding sources.
- Superior customer experience enabled by innovation and technology.
- Prudent and multi-dimensional risk management system under extensive supervision of the CBIRC.
- Experienced management team.

KEY RISKS

- They have a limited operating history and may not be able to maintain their rapid growth in the future or adequately adjust their development strategies in response to developments or changes in the market.
- If they fail to maintain stable relationships with dealers in their sales network, their business, results of operations and financial conditions could be materially and adversely affected.
- Their business, financial conditions and results of operations may be materially and adversely affected if the operational performance of the dealers they work with deteriorate significantly.
- Their business, financial conditions and results of operations may be materially and adversely affected by changes in their relationships with the Controlling Shareholders.
- If their non-performing loans increase significantly, they may have to significantly increase their provisions for impairment losses, which may adversely affect their financial conditions and results of operations.

DIVIDEND POLICY

- No fixed dividend policy.

USE OF PROCEEDS

	HK mn	As a percentage of gross proceeds from the Invitation (%)
Will be used to support the development of their business with External Customers.	1,073.4	70.0%
Will be used to fund self-operated retail loans to be disbursed to ZhengTong Customers.	230.0	15.0%
Will be used to develop their technological, operational and risk management capabilities.	76.7	5.0%
Will be used for general working capital.	153.3	10.0%
Total:	1,533.5	100.00%

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