

**HILONG HOLDING LTD,
CHINA AUTO SYSTEM TECHNOLOGIES LTD, AND
CHINA NT PHARMA GROUP COMPANY LTD:
THE COMMON FACTOR OF ALL THREE COMPANIES**

It Is Hardly Any Wonder That These IPOs Were Flops

The April flotation of Hilong Holding Ltd () (Code: 1623, Main Board, The Stock Exchange of Hongkong Ltd) on the premier equity market of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) was the third such flotation not to have been a winner from the point of view of investors.

The other 2 flotations were China Auto System Technologies Ltd (), which withdrew its listing at the last minute, and China NT Pharma Group Company Ltd () whose International Placing tranche of 321,328,500 shares was undersubscribed by about 10 percent.

Please See **TARGET Intelligent Reports,**
Volume XIII, [Numbers75](#) and [80](#),
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Analyses.

A common factor, pertaining to all 3 companies, was a material build-up of debt over the same 36-month period, ended December 31, 2010.

Two of the flotations – Hilong Holding Ltd and China Auto System Technologies Ltd – admitted, openly, that they would be using part of the net proceeds of their respective **Initial Public Offerings (IPOs)** in order to reduce debt – that is, paying off creditor banks, etc.

Soon after the shares of Hilong Holding Ltd and China NT Pharma Group Company Ltd started trading on the Main Board of The Stock Exchange of Hongkong Ltd, their share prices fell below their respective Offer Prices of \$HK2.60 and \$HK4.45.

Today, the share price of Hilong Holding Ltd is about \$HK2.39 and the share price of China NT Pharma Group Company Ltd is about \$HK3.18.

From the point of view of those investors, who put their money on the table in order to purchase shares in these 2 companies, they are looking at '*paper*' losses of between 8 percent and 29 percent, respectively, today.

Prospective investors will, undoubtedly, lose their taste for IPOs if the current trend continues for too long a period of time.

Obviously, also, prospective investors cannot be too enamoured on learning that a goodly portion of the net proceeds of an IPO will go straight into the coffers of creditor banks and not into the coffers of the company into which they are considering investing.

In the case of the aborted flotation of China Auto System Technologies Ltd, about 58.40 percent of the net proceeds of that IPO was destined to retire some of the company's debts to its creditor banks, namely BNP Paribas Hongkong Branch () and DBS Bank Ltd, Hongkong Branch ([]).

The Principal Bankers of China Auto System Technologies Ltd were said, in the Global Offering Prospectus of this company, to have been:

Hang Seng Bank Ltd ()
(Code: 11, Main Board, The Stock Exchange of Hongkong Ltd;

DBS Bank Ltd (); and,

China Merchants Bank, Nanjing Jiangning Sub-branch
().

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