

**CHINA HARMONY AUTO HOLDING LTD:
THIS LOOKS LIKE A VERY RISKY INVESTMENT**

Prospective investors of China Harmony Auto Holdings Ltd () (Code: 3836, Main Board, The Stock Exchange of Hongkong Ltd), one of the two latest Initial Public Offerings (IPOs) to hit the premier equity market of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), ought to be aware of a number of factors, regarding this motor-vehicle vendor in the PRC, proper, as opposed to the HKSAR of the PRC:

- The Gearing Ratio*, as at December 31, 2012, was 84.30 percent;
- The Company was enjoying Net Current Liabilities of 315,762,000 renminbi, as at December 31, 2012;
- The Company was enjoying record levels of debt, as at April 30, 2013, aggregating about 2.52 billion renminbi, of which material sum of money, about 2.42 billion renminbi is 'Current' – due within one Financial Year – and 109.63 million renminbi is 'Non-Current' – due after one Financial Year; and,
- This Company is heavily reliant to the extent of nearly 77 percent of total revenue on the sales in the PRC of just one brand of new passenger motor car, those vehicles that are manufactured by **BMW** (Bayerische Motoren Werke AG), the parent company of Rolls Royce Motor Cars.

*Gearing Ratio = Net Debt divided by Total Equity

China Harmony published and disseminated its Global Offering Prospectus on May 31, 2013, when it Offered 275,126,000, one-cent Shares at the Indicative Offer Price Per Share, ranging from a low of \$HK6.08 to a high of \$HK8.88.

At the midpoint of the Indicative Offer Price Per Share of \$HK7.48, the Company estimates that it should be able to net about \$HK1,875,000,000.

That amount of money is to be utilised, one is told at Page 187 of the Global Offering Prospectus, for the following purposes:

1. About 60 percent of the net proceeds – \$HK1,125,000,000 – *'to finance the capital expenditure required in connection with the opening of new outlets ... 11 outlets in 10 cities (in the PRC) ...'*;
2. About 20 percent – \$HK375 million – *'to finance our network expansion through acquisitions if suitable opportunities arise'*;
3. About 10 percent – \$HK187 million – *'to finance the upgrades or expansion of our existing outlets'*; and,
4. The remaining 10 percent – \$HK187 million – *'will be used to provide funding for our working capital and other general corporate purposes'*.

The History of China Harmony

The history of this Company can be traced to March 4, 2005, with the founding of Henan Zhongdebao Automobile Sales Service Company Ltd () by Mr Feng Chang Ge () who is the Founder and Controlling Shareholder of the Company.

Mr Feng Chang Ge was a member of the PRC Judiciary of the Henan Province of the PRC before

determining to become an entrepreneur by establishing the first BMW dealership ... [CLICK TO ORDER FULL ARTICLE](#)

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