

**CHINA MEIDONG AUTO HOLDINGS LTD:
THIS CALL FOR CASH COULD BE DESCRIBED
AS A FORCE MAJEURE SITUATION**

The very material debts of China Meidong Auto Holdings Ltd () (Code: 1268, Main Board, The Stock Exchange of Hongkong Ltd) is slowly strangling the Company.

And that is the underlying reason that this motor-vehicle dealership of the People's Republic of China (PRC) has come to the Hongkong Special Administrative Region (HKSAR) of the PRC to try to raise some money via an **Initial Public Offering (IPO)**.

China Meidong published its Global Offering Prospectus on November 22, 2013, in which is contained that the Company is Offering 250 million, 10-cent Shares at the Offer Price Per Share of \$HK1.80.

Only 25 million Shares are being Offered in the Hongkong Public Offer tranche with 225 million Shares, being Offered to International Investors.

Management estimates that it will net about \$HK418.70 million from this IPO, that amount of money to be utilised for the following purposes:

- *Approximately HK\$209.3 million or 50% towards financing the capital expenditures required in connection with the organic growth of our 4S dealership* network via our opening of new 4S dealerships. We expect that of this amount: (i) HK\$167.4 million, representing 40% of the net proceeds from the Global Offering, would be used for property construction or renovation; and (ii) HK\$41.9 million, representing 10% of the net proceeds from the Global Offering, would be used for purchases of equipment and fittings. As at 30 June 2013, we had received preliminary authorizations from automobile manufacturers to establish seven new 4S dealerships. We expect all of these new 4S dealerships to commence operations by the end of the first quarter of 2015. We expect most of our capital expenditures associated with opening these new outlets to be used for: (i) property construction and/or renovation; and (ii) purchases of equipment and fittings;*
- *Approximately HK\$125.6 million or 30% towards financing our network's expansion through acquisition of other 4S dealerships if suitable opportunities arise. As at 30 June, 2013, we did not have any finalized and definitive understanding, commitment or agreement, and we were not engaged in any related negotiations and had not entered into any letter of intent (legally binding or otherwise), with respect to any acquisitions, alliances, joint ventures or strategic investments;*
- *Approximately HK\$41.9 million or 10% towards financing the development of new lines of business, such as used vehicles sales, and new business systems, including IT system upgrades; and,*
- *Approximately HK\$41.9 million or 10% towards working capital, inventory and general corporate purposes.*

* ***4S dealership*** ' is defined as being an automobile dealership that is authorised by an automobile manufacturer to engage in the four businesses relating to: Sales; spare parts; service; and, survey.

It is noted, under the second point of the intended uses of the net proceeds of this IPO, that the Company expects to hold onto \$HK125.60 million on the off chance that it might be able to latch onto another 4S dealership, but it has nothing even remotely promising in this regard, today.

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