COMPANY: China Harmony Auto Holding Ltd. (3836 HK)  
INDUSTRY: Automotive Dealerships

<table>
<thead>
<tr>
<th>Price (as of 11Nov2020 close)</th>
<th>Market Cap</th>
<th>Average Daily Value Traded (30-Day)</th>
</tr>
</thead>
<tbody>
<tr>
<td>HK$ 3.39</td>
<td>HK$ ~ 5.5 billion</td>
<td>HK$ ~ 17 million</td>
</tr>
</tbody>
</table>

China Harmony Auto Holding Limited (HKEX: 3836) ("Harmony" or the “Company”) operates ~75 car dealerships in China, distributing mid- to high-end luxury car brands including BMW, Lexus, Land Rover, Rolls Royce, & Ferrari. Harmony is also an after-sales service partner of Tesla (Nasdaq: TSLA) in China which drives additional investor interest.

Evidence revealed that Harmony’s Chairman Feng defrauded investors and fabricated Harmony’s financial statements.

First, Chairman Feng stole RMB 1 billion from Harmony. At the end of 2019, Harmony offset a RMB 1 billion cash loan to Chairman Feng using an abusive tax liabilities transfer. This transaction had serious negative repercussions for Harmony minority shareholders as it effectively erased the contractual obligation for Chairman Feng to repay RMB 1 billion to Harmony.

Second, Harmony generated fake cash from fake share sales. Harmony claimed to receive RMB 192 million in cash from selling shares of Henan Hexie Automobile Aftersales Services Co., Ltd. (河南和諧汽車維修服務有限公司, “IAC”) in April 2019. This never happened, and this was not the first time Harmony lied about cash receipts. In addition, Chinese filings revealed that Harmony never received RMB 347 million in cash from the sale of Green Field Motor Co., Ltd. (浙江綠野汽車有限公司, “GFMC”). To us these findings suggest that Harmony’s cash balance has been fabricated since 2015.

Third, Harmony lied about its profits in two ways: by failing to consolidate operating expenses from primary subsidiaries, and failing to write down losses from bad investments. In this report we highlight three separate entities which Harmony used to generate fake profits.

On January 7, 2020, Ernst & Young resigned as Harmony’s auditor. For its 2019 Annual Report, Harmony paid a different auditor, Zhonghui Anda CPA Limited, who resigned shortly thereafter in July 2020. We suspect both resignations were related to the write-off of the RMB 1 billion loan to Chairman Feng.

CCASS data shows that 94% of Harmony’s shares are in circulation despite Chairman Feng’s reported 44% ownership, suggesting undisclosed share pledges.

We are short Harmony and believe its stock is worthless.

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THIS RESEARCH REPORT EXPRESSES SOLELY OUR OPINIONS. Use Bonitas Research LLC’s research opinions at your own risk. You should do your own research and due diligence before making any investment decisions, including with respect to the securities discussed herein. We have a short interest in HARMONY stock and stand to realize significant gains in the event that the price of such instrument declines. Because this document has been prepared without consideration of any specific clients’ investment objectives, financial situation or needs, no information in this report should be construed as recommending or suggesting an investment strategy. Investors should seek their own financial, legal and tax advice in respect of any decision regarding any securities discussed herein. This report and its contents are not intended to be and do not constitute or contain any financial product advice as defined in the Australian Corporations Act 2001 (Cth). For convenience purposes only, we have provided a Chinese translation of this report. Please refer to our full disclaimer located on the last page of this report.
FAKE CASH FROM FAKE SALE OF IAC SHARES

Harmony claimed that it received RMB 192 million in cash proceeds from the disposal of 29% of IAC shares to a supposed independent third party in April 2019.¹

This is a lie. Harmony never received cash because there never was a share sale in April 2019.

In fact, Harmony owned 100% of IAC from 2011 until December 2019 and should have consolidated IAC’s operating losses into its own financial statements.

PRC State Administration for Industry and Commerce (国家工商行政管理总局, “SAIC”) filings revealed that IAC was 100% owned by Harmony subsidiary Henan Hexie Automobile Trading Co., Ltd. (河南和谐汽车贸易有限公司, “Henan Hexie”) from 2011 until December 9, 2019.²

On December 10, 2019, IAC diluted Harmony’s equity ownership to less than 20% via a shareholder resolution to increase IAC’s share capital.

Harmony did not sell any IAC shares, so Harmony did not receive any cash in April 2019 nor in December 2019.

Source: Paper SAIC Filings

IAC’s December 2019 capital injection came from undisclosed related parties.

SAIC filings revealed that currently 25% of IAC shares are secretly controlled by Chairman Feng’s brother.³

---

¹ Source: Harmony 2019 Annual Report – p.85
² In 2011 Harmony established its primary after-sales service entity Henan Hedebao Automobile Services Co., Ltd. (河南和德宝汽车服务有限公司, “Hedebao Auto”). Harmony’s 2013 to 2015 Annual Reports disclosed 100% ownership of Hedebao Auto, which means Harmony consolidated Hedebao Auto’s operational performance in Harmony’s consolidated financial statements. Harmony’s 2016 Annual Report dropped Hedebao Auto from its subsidiary list and changed the name of the entity to Henan Hexte Automobile Aftersales Services Co., Ltd. (河南和谐汽车维修服务有限公司, “IAC”).
³ See Appendix 1 – Undisclosed Related Parties
Another 29% of IAC is secretly owned by Chairman Feng via Zhengzhou Wanyin Asset Management Co., Ltd. (“Zhengzhou Wanyin”).

Credit Reports are compiled by credit agencies certified by the PRC government with access to company-filed financial statements with the local PRC regulatory office.

Credit Report of Zhengzhou Wanyin revealed no asset, no revenue and no profit, making it incapable of paying the alleged RMB 192 million for IAC shares to Harmony.

We believe that the evidence is clear.

Harmony lied about receiving cash payment of RMB 192 million for the disposal of IAC shares.

Harmony lied about its 100% ownership of IAC through December 2019 which concealed operating losses from Harmony’s consolidated financial statements.

And perhaps most importantly, Harmony’s lies about IAC afforded Chairman Feng a way to siphon RMB 1 billion into his own pocket without repayment.

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4 See Appendix 1 – Undisclosed Related Parties
5 See Appendix 2 – Credit Reports
HARMONY ERASED RMB 1 BILLION LOAN TO CHAIRMAN

Chairman Feng was given RMB 1 billion loan from Harmony never to be repaid.

In 2017, Harmony disclosed that it lent IAC RMB 1 billion to support IAC’s operations, equal to 100% of Harmony’s reported 2017 profits.

Shortly thereafter, IAC turned around and lent the RMB 1 billion to Chairman Feng’s private business, Hexie Industrial Group Co., Ltd. (河南和谐实业集团有限公司, “Hexie Private”).

At the end of 2019, Harmony offset the RMB 1 billion loan to Chairman Feng using an abusive tax liabilities transfer. This transaction had serious negative repercussions for Harmony minority shareholders as it effectively erased the contractual obligation for Chairman Feng to repay RMB 1 billion to Harmony.

Hexie Private’s 2019 Credit Report did not reveal any liability owed or received in 2019. Rather Hexie Private appears to be an empty shell company with no real revenues and no real assets.

We were unable to identify any disclosure in 2017 or 2018 about this “Assignment” prior to Harmony’s 2019 Annual Report.

SAIC filings revealed that Hexie Private shares the same phone number and email address as Harmony subsidiary Henan Hexie.


https://www.tianyancha.com/company/24800382

Credit Reports for Hexie Private revealed very little revenue and net losses.\textsuperscript{7}

Hexie Private’s balance sheet had little real assets other than "other receivables".

The lack of assets and revenue showed that Hexie Private did not have a credible business and had no chance to repay the RMB 1 billion loan.

We suspect that Hexie Private was used to pay out insiders from their fraudulent scheme.

In addition, Harmony’s disclosed receivables did not match what IAC disclosed as payables owed in its Credit Reports.

Since 2017 Harmony made a series of loans to support IAC’s operations.

As of CYE’18, Harmony had lent IAC a total of RMB 1.6 billion, including the RMB 1 billion subsequently advanced to Chairman Feng’s Hexie Private.

Credit Reports for IAC revealed payable balances totaled only RMB 470 million and RMB 228 million as of CYE’18 & CYE’19, respectively, significantly less than the RMB 1.6 billion and RMB 748 million Harmony claimed to be owed as of CYE’ 18 & CYE’19, respectively.\textsuperscript{8}

To us, the lack of IAC payables suggests that the RMB 1 billion loan to Chairman Feng’s Hexie Private never resided on IAC’s balance sheet, rather Harmony made the loan directly to Hexie Private.

Credit Reports for IAC revealed that Harmony overstated receivable owed from IAC by \(~\text{230}\%\) in both 2018 and 2019. In our opinion, Harmony’s overstated receivables balance represents a combination of concealed fake Harmony profits and real cash that exited IAC to privately enrich insiders at the expense of Harmony minority shareholders.

<table>
<thead>
<tr>
<th>Harmony Overstated Receivables Balance from IAC</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RMB ’000</strong></td>
</tr>
<tr>
<td><strong>Reported by Harmony</strong></td>
</tr>
<tr>
<td>Advances forwarded to Hexie Private</td>
</tr>
<tr>
<td>Loan to IAC</td>
</tr>
<tr>
<td>Advances Made to IAC</td>
</tr>
<tr>
<td>Interest receivables from IAC</td>
</tr>
<tr>
<td>Total Harmony reported receivables from IAC</td>
</tr>
<tr>
<td><strong>Total IAC Credit Reports payables balance</strong></td>
</tr>
<tr>
<td><strong>Harmony Receivables Overstatement</strong></td>
</tr>
<tr>
<td>as %</td>
</tr>
</tbody>
</table>

\textit{Source: Harmony Annual Reports, IAC Credit Reports}

\textsuperscript{7} See Appendix 2 – Credit Reports
\textsuperscript{8} See Appendix 2 – Credit Reports
APRIL 2020 ACQUISITION SIPHONED MILLIONS TO UNDISCLOSED INSIDERS

Harmony’s April 2020 acquisition is a clear example where Harmony overpaid to acquire a company from an undisclosed related party.

Harmony disclosed in its 2020 Interim Report that it acquired Shijiazhuang Harmony Binchi Automobile Sales Services Co., Ltd. (石家庄和谐宾驰汽车销售服务有限公司，“Shijiazhuang Harmony”) and three other companies from supposed independent third parties for a total cash consideration of RMB 154 million (RMB 84 million in goodwill).9

SAIC filings revealed Shijiazhuang Harmony only existed for 3 months prior to being acquired.

Shijiazhuang Harmony was established in January 2020 with a registered capital of RMB 20 million by Harmony President Liu Fenglei (刘风雷), clearly not an independent third party.

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9 Source: Harmony 2020 Interim Report – p.43
GFMC – ANOTHER LIE TO CONCEAL FAKE CASH

Evidence revealed that Harmony lied about cash inflows, cash outflows and impairment losses from another historical transaction.

In 2015, Harmony acquired 88% of Green Field Motor Co., Ltd. (浙江绿野汽车有限公司, “GFMC”) for a supposed RMB 292 million.\(^\text{10}\)

On December 31, 2015, within just 7 months of investment, Harmony claimed that it had sold its entire 88% equity interests in GFMC to Zhejiang Aiche Internet Intelligent Electric Vehicle Co., Ltd. (浙江爱车互联网智能电动车有限公司, “Aiche”) for RMB 347 million.\(^\text{11}\)

SAIC filings revealed that GFMC was never sold to Aiche.

Accordingly, Harmony never received cash disposal proceeds of RMB 347 million from Aiche.

SAIC filings revealed that Harmony has and continues to own 88% of GFMC.

Despite being an 88% majority owner of GFMC, Harmony never accounted for GFMC as a subsidiary or as an associate in its Annual Reports.

Harmony disclosed that GFMC had total assets of RMB 770+ million and generated losses for consecutive years.

\(^\text{10}\) Source: Harmony Announcement dated May 11, 2015; Harmony Announcement dated June 25, 2015
\(^\text{11}\) Source: Harmony Announcement dated January 4, 2016
Harmony’s 2016 Annual Report disclosed that GFMC was suspended and under restructuring.

At the time shareholders were not given financial details on GFMC.

We suspect Harmony intentionally concealed GFMC’s extensive losses and cash outflows to artificially inflate Harmony’s reported financial statements.\(^\text{12}\)

A PRC court judgement (suit #: (2016) 浙民终 524 号) revealed multiple lies about Harmony’s ownership and liabilities associated with GFMC.

First, while Harmony disclosed that it paid RMB 292 million for 88% of GFMC, the PRC court judgement revealed that Harmony paid an extra RMB 45 million plus another RMB 9 million in fees in two additional secret Supplemental Agreements to help Harmony obtain GFMC equity from other shareholders.\(^\text{13}\)

Second, the PRC court judgement revealed that Harmony reported to the court details about GFMC’s balance sheet contrary to what was disclosed to investors.

The PRC court judgement disclosed that GFMC was on the brink of bankruptcy with ~RMB 200 million of total assets and ~RMB 500 million of debts as of early 2016.

According to current estimates, the land area is 462 m², plus the buildings on the ground, and the valuation is about RMB 45 million, that is, the assets total only about RMB 200 million. At present, the book value of debt has reached nearly RMB 500 million, excluding contingent debts, and the company is already seriously insolvent. In addition, the real estate and land have been mortgaged to the bank. If auctioned, the value will be lower, and even bank liabilities will not be able to be paid off in full. GFMC is actually on the verge of bankruptcy.

GFMC was officially declared bankrupt by a PRC court in 2018.

In short, Harmony raised money from investors and paid RMB 346 million for 88% equity interest of GFMC in 2015 which should have been written down.\(^\text{14}\)

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\(^{12}\) Source: Harmony 2016 Annual Report – p.8

\(^{13}\) Source: [https://www.qcc.com/case/533e8c35959b5e6a04dd5713a7c549.html](https://www.qcc.com/case/533e8c35959b5e6a04dd5713a7c549.html)

\(^{14}\) 346 million = (292 million + 45 million + 9 million)
FMC SHARES SOLD TO CHAIRMAN AT 90% DISCOUNT FOR IMMEDIATE RMB 236 MILLION GAIN

Chairman Feng privately enriched himself with an immediate gain of RMB 236 million at the expense of Harmony minority shareholders by avoiding shareholder approval and buying FMC shares from Harmony at a 90% discount.

In March 2016, Harmony established Future Mobility Corporation Limited (“FMC HK”).

On December 23, 2016, Harmony invested in Future Mobility Corporation Limited Cayman (“FMC”) for total consideration of RMB 208 million plus operating cash loans to FMC HK.\(^\text{15}\)

In 2017 Harmony sold 1,250,000 shares & 33% voting rights in FMC to Chairman Feng for RMB 59 million and reported a gain from the sale of RMB 29 million.

Importantly, Harmony used the transaction as an excuse to change its accounting policy for FMC from an associate to an available-for-sale investment.

Harmony recorded a gain of RMB 816 million from the revaluation, 80% of Harmony’s 2017 reported net profits.

In 2Q’18, FMC received additional financing which increased Harmony’s carrying valuation of its FMC ownership to RMB 1.4 billion as of CYE’18.\(^\text{16}\)

Despite the increase in FMC’s valuation, in 2018 Harmony sold Chairman Feng an additional 9,000,000 FMC shares at a significantly discounted price of RMB 39.6 million. Harmony recorded an immediate loss of RMB 236 million.\(^\text{17}\)

The only disclosure given for this egregious transaction is a footnote in Harmony’s 2018 Annual Report.

To us it is indefensible that Chairman Feng was able to benefit at the expense of shareholders and a clear oversight by Harmony’s Independent Non-Executive Directors.

\(^{15}\) Source: Harmony Announcement dated December 28, 2016  
\(^{17}\) Source: Harmony 2018 Annual Report – p.192
OVERSTATED PROFITS

Harmony overstated its purported profits by failing to consolidate operating expenses from primary subsidiaries and failing to write down its failed investments.

In this report we highlighted three separate entities in which Chairman Feng concealed ownership interests and obfuscated accounting policy applications between consolidated subsidiaries, alleged associates, and equity investments to fabricate Harmony’s reported cash balance and profitability in its historical Annual Reports.

We highlight the 2 primary subsidiaries, IAC and GFMC, which Harmony should have consolidated since 2015.

Harmony falsified RMB 192 million of cash inflow gains from the alleged sale of IAC shares in April 2019.

Harmony owned 100% of IAC from 2011 until December 2019 and should have consolidated IAC’s financial performance into its own financial statements.

Credit Reports for IAC and its various subsidiaries revealed little revenues, net losses and widening net liabilities.18

Harmony cumulatively omitted at least RMB 132 million in losses from IAC in 2018 & 2019.

Harmony owned 88% of GFMC from 2015 through GFMC’s bankruptcy in 2018, with its liquidation proceedings continuing today. Harmony should have consolidated GFMC’s losses in its own financial statements.

Due to GFMC’s poor performance, Harmony should have completely written off its RMB 346 million investment in 2018.

Harmony’s equity investment in FMC looks to be in trouble. Since June 2020, there have been multiple news reports confirming that FMC (under the brand name Byton) was in financial trouble and unable to pay its employees, and subsequently suspended operations and let go of its employees after getting US$ millions in loans from the US Paycheck Protection Program.

Accordingly, Harmony should have recognized a RMB 1.4 billion impairment loss in 1H’20 for its investment in FMC.19

18 See Appendix 2 – Credit Reports
一年花2億買零食、印一盒名片要4千元⋯豪華電動車拜騰宣布暫停營運，是另一場新創騙局？

2020.07.07 by Dylan Yeh

拜腾大溃败揭秘：8亿美元造车的巨资，是怎样“蒸发”的？

2020年07月04日 08:09 36篇

“造假了”，“可惜了”，“视频不造假”。

Source: https://www.futurecar.com/4007/Chinese-EV-Startup-BYTON-to-Suspend-Operations-for-6-Months-the-Company's-Future-is-Uncertain
Source: https://www.theverge.com/2020/6/30/21308389/byton-chinese-ev-startup-operations-suspended-furloughs
MULTIPLE AUDITOR RESIGNATIONS SINCE JANUARY 2020

On January 7, 2020, Ernst & Young (“E&Y”) resigned as Harmony’s auditor.

E&Y was Harmony’s auditor since its IPO in 2013.

E&Y was replaced by Zhonghui Anda CPA Limited (“Zhonghui Anda”) who signed off on Harmony’s 2019 Annual Report in April 2020 after 3 months of engagement.

On July 13, 2020, Zhonghui Anda resigned.

Why did 2 separate auditors resign in 2020?

We suspect that Chairman Feng’s lies around IAC and the RMB 1 billion loan was the proverbial “final straw that broke the camel’s back.”

a. Multiple Resignations by INEDs and Senior Management

Since 2017, there have been multiple changes at the senior management level.

Since 2019, there have also been multiple resignations by the Independent Non-executive Directors, another red flag for Harmony shareholders.

Chief Financial Officer Qian Yewen was replaced on August 31, 2017.²⁰

Executive Director Yang Lei resigned on December 29, 2017.²¹

Non-executive Director Fan Qihui resigned on June 30, 2018.²²

Below is an updated list of INED changes from Harmony’s 2019 Annual Report.

Independent Non-executive Directors:

Mr. WANG Nengguang (appointed on February 4, 2019)
Mr. LAU Kwok Fan (appointed on June 14, 2019)
Mr. CHAN Ying Lung (appointed on March 27, 2020)
Mr. XIAO Changnian (resigned on February 4, 2019)
Mr. LIU Zhangmin (resigned on March 27, 2020)
Mr. XUE Guoping (resigned on March 27, 2020)

Source: Harmony 2019 Annual Report – p. 41

²⁰ Source: Harmony Announcement dated August 31, 2017
²¹ Source: Harmony Announcement dated December 29, 2017
²² Source: Harmony Announcement dated July 3, 2018
Appendix 1 – Undisclosed Related Parties

1. Tibet Lancherui

SAIC filings revealed that IAC is 25% owned by Tibet Lancherui Venture Capital Partnership (Limited Partnership) (西藏蓝彻瑞创业投资管理合伙企业（有限合伙），“Tibet Lancherui”).

<table>
<thead>
<tr>
<th>Company</th>
<th>Ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tibet Lancherui</td>
<td>25%</td>
</tr>
<tr>
<td>Tibet Lancherui Venture Capital</td>
<td></td>
</tr>
<tr>
<td>Partnership (Limited Partnership)</td>
<td></td>
</tr>
</tbody>
</table>

Source: [https://www.tianyancha.com/company/2404239200](https://www.tianyancha.com/company/2404239200)

SAIC filings of Tibet Lancherui revealed that it is 39% owned by Feng Changjin (冯长进), brother of Harmony Chairman Feng Changge (冯长革), 40% owned by Harmony Senior Management Chen Yi (陈翼), and 19% owned by Harmony Senior Management Yang Lei (杨磊).

Source: [https://www.tianyancha.com/company/3070613929](https://www.tianyancha.com/company/3070613929)

2. Zhengzhou Wanyin

Zhengzhou Wanyin disclosed in SAIC filings that its contact phone number and email are 15249693962 and 954480710@qq.com respectively, which are shared by another company Henan Yonghong Investment Co., Ltd. (河南永弘投资有限公司, “Henan Yonghong”).

Henan Yonghong is wholly owned by Bao Fenglei (鲍风磊), who is the legal representative of Green Field Motor Co., Ltd. (浙江绿野汽车有限公司, “GFMC”).

3. **FMC HK**

Harmony’s FMC Subscription announcement disclosed its intention to keep FMC HK “independently operated and driven by its management team”. At that time, Carsten Breitfeld and Daniel Kirchert were the directors of FMC HK.

In order to make FMC HK successful, the Company believes that it is necessary to keep it independently operated and driven by its management team. The purpose of the transactions under the Series A SPA of FMC Cayman is to reorganize FMC HK’s shareholding and corporate governance structures, so that its management team will hold substantial equity interest in FMC HK, which is consistent with most successful technology companies and paves the way for future financing of the project.

As at the date of the Series A SPA, Dr. Carsten Breitfeld and Dr. Daniel Kirchert are the directors and ultimate beneficial owners of FMC Cayman and the Management Holdco. Each of Dr. Carsten Breitfeld and Dr. Daniel Kirchert are also directors of FMC HK, as FMC HK is an insignificant subsidiary of the Company, they are directors of an insignificant subsidiary of the Company and are therefore not regarded as connected persons of the Company pursuant to rule 14A.09 of the Listing Rules. Therefore the transactions contemplated under the Series A SPA do not constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

Source: Harmony Announcement dated December 28, 2016 – p.8,9

Harmony failed to disclose that Chairman Feng was the only director of FMC HK from its incorporation to December 6, 2016 and was solely responsible for FMC HK’s use of at least RMB 103 million of borrowings from Harmony before September 30, 2016.

Carsten Breitfeld and Daniel Kirchert only became directors of FMC HK seventeen days before the FMC Subscription.

<table>
<thead>
<tr>
<th>Director (Natural Person)</th>
<th>Name in Chinese</th>
<th>Name in English</th>
<th>Other Names</th>
</tr>
</thead>
<tbody>
<tr>
<td>第一董事</td>
<td>Feng</td>
<td>Carsten Delf</td>
<td>06 12 2016</td>
</tr>
<tr>
<td>第二董事</td>
<td>Kirchert</td>
<td>Daniel Isidor</td>
<td>Date of Appointment</td>
</tr>
</tbody>
</table>
Appendix 2 – Credit Reports

Credit Reports are compiled by credit agencies certified by the PRC government with access to company-filed financial statements with the local PRC regulatory office.

a. Henan Hexie Automobile Aftersales Services Co., Ltd. (河南和諧汽車維修服務有限公司，“IAC”)

We obtained credit reports of IAC and its primary subsidiaries as measured by their reported number of employees in their SAIC filings.

<table>
<thead>
<tr>
<th>Balance Sheet</th>
<th>RMB'000</th>
<th>CYE2018</th>
<th>CYE2019</th>
</tr>
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<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>54,306</td>
<td>1,329</td>
<td></td>
</tr>
<tr>
<td>Short-term investments</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Bills receivable</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Other receivables</td>
<td>269</td>
<td>751</td>
<td></td>
</tr>
<tr>
<td>Prepayments</td>
<td>49,788</td>
<td>49,788</td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Other current assets</td>
<td>(415,616)</td>
<td>(184,915)</td>
<td></td>
</tr>
<tr>
<td>Total current assets</td>
<td>(311,253)</td>
<td>(133,047)</td>
<td></td>
</tr>
<tr>
<td>Long-term investments</td>
<td>339,300</td>
<td>388,520</td>
<td></td>
</tr>
<tr>
<td>Net value of fixed assets</td>
<td>86</td>
<td>86</td>
<td></td>
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<tr>
<td>Construction in progress</td>
<td>1,596</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Intangible assets</td>
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<td>0</td>
<td></td>
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<tr>
<td>Long-term prepaids expenses</td>
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<tr>
<td>Other long-term assets</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Other assets</td>
<td>4,084</td>
<td>9,148</td>
<td></td>
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<tr>
<td>Deferred tax assets</td>
<td>0</td>
<td>0</td>
<td></td>
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<tr>
<td>Total non-current assets</td>
<td>278,667</td>
<td>44,676</td>
<td></td>
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<tr>
<td>Total assets</td>
<td>264,707</td>
<td>397,754</td>
<td></td>
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</tbody>
</table>

<p>| Selected Financials of IAC Primary Subsidiaries |</p>
<table>
<thead>
<tr>
<th>RMB'000</th>
<th>2018</th>
<th>2019</th>
</tr>
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<tbody>
<tr>
<td>Name</td>
<td>Number of Employee</td>
<td>Revenue</td>
</tr>
<tr>
<td>Anyang Harmony Automobile Maintenance Service Co., Ltd.</td>
<td>12</td>
<td>2,371</td>
</tr>
<tr>
<td>Xinxiang Xindebao Automobile Service Co., Ltd.</td>
<td>153</td>
<td>1,506</td>
</tr>
<tr>
<td>Jiaozuo Shengda Harmony Automobile Sales Service Co., Ltd.</td>
<td>19</td>
<td>3,321</td>
</tr>
<tr>
<td>Kaifeng Yueda Harmony Automobile Sales Service Co., Ltd.</td>
<td>17</td>
<td>2,851</td>
</tr>
<tr>
<td>Sanmenxia Harmony Automobile Sales Service Co., Ltd.</td>
<td>25</td>
<td>5,972</td>
</tr>
<tr>
<td>Luoyang Harmony Automobile Sales Service Co., Ltd.</td>
<td>19</td>
<td>1,686</td>
</tr>
<tr>
<td>Total</td>
<td>245</td>
<td>17,707</td>
</tr>
</tbody>
</table>

Credit Reports of IAC’s primary subsidiaries revealed that all of them were loss-making in 2018 and 2019 with widening negative net assets.

Source: IAC Credit Report

Source: Credit Reports
b. Zhengzhou Wanyin

Credit Report of Zhengzhou Wanyin revealed that it had no asset, no revenue and no profit, making it incapable of paying the alleged RMB 192 million to Harmony.

Credit Reports revealed Hexie Private generated little revenues and net losses.

Hexie Private’s balance sheet had little real assets other than “other receivables”.

The lack of assets and revenue showed that Hexie Private did not have a credible business and had no chance to repay the RMB 1 billion loan to Harmony.
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