

**CHINA UNITED INTERNATIONAL HOLDINGS LTD:
AUDITORS SCREAM: OH, NO, YOU DON'T !**

The Independent Auditors of publicly listed China United International Holdings Ltd (Code: 273, Main Board, The Stock Exchange of Hongkong Ltd) have denounced certain assumptions, asserted by China United's Management in the Interim Report of the company, for the 6 months, ended June 30, 2003.

BDO International, Certified Public Accountants, has said, inter alia:

'The validity of preparation of the interim financial report on the going concern basis depends on whether:

- (i) The restructuring of shareholdings in subsidiaries of CU Holdings (China United Holdings Ltd) has been conducted without contravention of any applicable laws and the New Group (the company and its subsidiaries, excluding China United) will not be subject to challenge by any party as to the validity of the restructuring and/or to possible claims for compensation for any loss suffered by CY Holdings as a result of restructuring; and*
- (ii) China United can be successful in re-negotiation with the lenders to restructure its loans.*

'If the going concern basis were found not to be appropriate, adjustments would have to be made to restate the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively ...

'Limitation of review scope on certain loans receivable

'The scope of our review was limited in respect of certain major loans receivable amounting to HK\$457,788,000 included in the Group's total loans receivable of HK\$722,803,000 before provision ... There is insufficient information and explanation about the financial positions of the borrowers to support the directors' contention that these loans receivable can be recovered. Accordingly, we are unable to determine whether these loans receivable can be recovered and provision for doubtful debts against this balance is required.

'Any of the above loans receivable which eventually becomes unrecoverable may have a significant adverse effect on the Group's cash flow and its going concern basis.'

Then, turning to China United International Holdings's investment in Radford Capital Investment Ltd (Code: 901, Main Board, The Stock Exchange of Hongkong Ltd), in which China United International beneficially owns 290 million shares in the Issued and Fully Paid-Up Share Capital, BDO International states that it has a major problem in its:

'Inability to reach a review conclusion arising from disagreement about accounting treatment, limitation of review scope and fundamental uncertainty relating to the going concern basis.'

The problem, according to BDO International, is that the carrying value of this investment, at \$HK92.80 million, is only the Directors' opinion as to the fair value.

BDO International states:

'Since the shares of Radford Capital are thinly traded and the percentage of issued shares of Radford Capital held by the Group is substantial, the directors consider, to the best of their estimate and knowledge, that a discount of 20% on the quoted market price of Radford Capital as at 30 June 2003 is the fair value of the Group's investment in Radford Capital. Accordingly, the investment in Radford Capital is stated at HK\$92,800,000 after taking 20% discount on the closing market price quoted on the Stock Exchange (of Hongkong Ltd) on 30 June 2003...

'We disagree with the assumptions adopted by the directors in arriving at the discount rate of 20% used in assessing the fair value of the investment ... Consequently, the carrying value of the investment does not appropriately reflect its fair value ...'

BDO International ends up its review of the company with, what could fairly be termed, an absolute disclaimer of the Interim Results of this company.

The Interim Report of China United International Holdings states that the Loss Attributable to Shareholders for the 6-month period, ended June 30, 2003, was about \$HK86.33 million.

That would suggest that this publicly listed company, now, has an unbroken period of not less than 66 months of losses, aggregating not less than \$HK2.16 billion.

(Of course, if BDO International is correct in its analysis of the situation in this company, then, that loss figure of \$HK2.16 billion is likely to be much greater)

China United International Holdings is, presently, undergoing a restructuring exercise whereby the brother of Mr Henry Chuang Yue Heng, who is the Chairman of the company, will pay \$HK10 million to take over the entire Issued and Fully Paid-Up Share Capital of Zhuang PP Holdings Ltd, formerly known as China United Holdings Ltd, a company which is domiciled in Bermuda.

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