

**HSIN CHONG GROUP HOLDINGS LTD:
WILL BEIJING COME TO THIS COMPANY'S RESCUE ?**

... And Sweep The Dirt Under The Carpet ?

One of the oldest, remaining construction companies, originally founded in Shanghai, the People's Republic of China (PRC), and today listed on the premier equity market of the Hongkong Special Administrative Region (HKSAR) of the PRC, appears to have found itself in a heap of very serious trouble.

The company is Hsin Chong Group Holdings Ltd () (Code: 404, Main Board, The Stock Exchange of Hongkong Ltd).

Founded in Shanghai in 1939 by Mr Godfrey Yeh Kan Nee () when the Company was named Hsin Chong and Company, it moved to the British Crown Colony of Hongkong (as the HKSAR was, then, called) and was listed on The Stock Exchange of Hongkong Ltd in 1991.

Hsin Chong Group, today, one might be tempted to surmise, is effectively controlled, at least, managerially, by Mr Lin Zhuo Yan (), the current Non-Executive Chairman, who obtained his equity holdings from the Yeh Family (at least, that is that which one is led to believe).

But, circumstantially, it appears that Mr Lin Zhuo Yan had been financially assisted, to a very high degree, by the PRC Government at the time of his negotiations – or soon after – to acquire a controlling interest in the Company.

This deduction of **TARGET** () is based, inter alia, on intelligence, gleaned from the database of **TOLFIN** (), the Computerised, Online Financial Intelligence Service and Web-Based, Credit-Checking Provider, the basis of which is as follows:

- Tewoo Group Company Ltd () beneficially owns nine percent, directly, of the Issued and Fully Paid-Up Share Capital of Hsin Chong Group;
- However, Tewoo Group Company Ltd has a prospective ownership of 52.57-percent of the Issued Share Capital of the Company and, as such, it, therefore, must, de facto, be considered the Controlling Shareholder of Hsin Chong Group;
- According to **TOLFIN**'s records, Tewoo Group Company Ltd is, effectively, a wholly owned corporate entity of the State-owned, Asset Supervision and Administration Commission of the People's Government of Tianjin ();
- This means, in effect, that the Government of the PRC should be held as being in control of Hsin Chong Group – if it determined to flex its muscles, for one reason or another – and that Mr Lin Zhuo Yan is merely a surrogate of the PRC Government; and,
- Mr Lin Zhuo Yan is shown in the 2016 Annual Report of Hsin Chong Group as being the beneficial owner of 11.65 percent of the Issued Share Capital of the Company via his wife, Madame Pony Ma Kwing ().

Regarding the 2016 Financial Year, ended December 31, 2016, the independent auditing firm of PricewaterhouseCoopers () heavily qualified the accounts of the Company to such an extent that, inter alia, as a result, trading in the shares of Hsin Chong Group was suspended on April 3, 2017 – and remains suspended to this day.

On May 17, 2017, the Company announced that an Independent Investigation Committee had been established with a mandate to ascertain the gravity, among other things, of the '**Basis for Disclaimer of Opinion**' in respect of the Consolidated Financial Statements, regarding the 2016 Financial Year.

The following is copied from Page Two of this announcement:

'INDEPENDENT INVESTIGATION

'As disclosed in the sections headed "Basis for Disclaimer of Opinion" and "Disclaimer of Opinion" in the independent auditor's report in the 2016 Annual Report, the auditor of the Company, being PricewaterhouseCoopers, did not express an audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2016 as a result of certain matters, including: (1) multiple uncertainties relating to going concern; (2) transactions and balances relating to Mr. Zhou and his related entities; (3) payments made to a construction company; and (4) payments made to certain financial consultancy companies.

*'The Board of Directors of the Company has set up an independent investigation committee ("**Independent Investigation Committee**") in late March 2017 which has agreed to conduct an independent investigation ("**Independent Investigation**") on the matters (2), (3) and (4) as mentioned above as soon as practicable. The Independent Investigation Committee has already identified an international accounting firm as the investigator of the Independent Investigation while additional time is still needed by the Independent Investigation Committee to finalize the investigation engagement and specific scope before officially appointing such international accounting firm as the investigator...'*

The reference to Mr Zhou in Paragraph One, above, relates to Mr Zhou Wei (), the 63 year-old, (former) Executive Director and (presently) Chief Strategic Officer of the Company.

Prior to this gentleman's appointment as an Executive Director at Hsin Chong Group, Mr Zhou Wei worked as a Senior Accountant in the Government Offices Administration of the State Council () of the PRC, according to Page 25 of the 2016 Annual Report of the Company.

Mr Zou Wei resigned as an Executive Director of Hsin Chong Group on June 8, 2017.

But the June 8 announcement of Hsin Chong Group, also, stated that Mr Zou Wei '*remains as the Chief Strategic Officer of the Company.*'

(More about Mr Zou Wei later on in this report.)

PricewaterhouseCoopers Delivers A Bombshell

The 2016 Annual Report of Hsin Chong Group Holdings Ltd was published and disseminated on April 28, 2017.

The Company reported a Net Loss Attributable to Shareholders of \$HK2,733,500,000 in respect of the Financial Year, ended December 31, 2016.

That result compared with a Net Profit Attributable to Shareholders of \$HK2,445,837,000 in respect of the

2015 Financial Year.

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