

**WAH FU INTERNATIONAL HOLDINGS LTD :
WOULD YOU CALL THIS COMPANY INSOLVENT ?**

Within 22 days of Ernst and Young, Auditors of publicly listed Wah Fu International Holdings Ltd, heavily qualifying Wah Fu's accounts for the Financial Year, ended March 31, 1999, a company, not registered in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), has sued the 1997 addition to the rolls of The Stock Exchange of Hongkong Ltd.

High Court Action Number 16654 is between Detalic Enterprises Ltd and Wah Fu International Holdings Ltd, with the Plaintiff, seeking \$HK2 million plus interest.

According to the Indorsement of Claim, attached to the Writ of Summons, Detalic is alleging that it lent the \$HK2 million to Wah Fu on September 22, 1999 with Wah Fu, agreeing to pay interest at the rate of 5 percent per annum over *'the annual rate of interest per annum as announced or applied by The Hong Kong and Shanghai Banking Corporation Ltd from time to time as its prime rate of interest in Hong Kong for lending of Hong Kong dollars to its prime corporate customers ...'*

Wah Fu is scheduled to hold its Annual General Meeting next Wednesday, and it appears that minority shareholders will have a lot of questions for Management.

Aside from the High Court Writ, there are the questions that Ernst and Young has obliquely raised in its Report of this manufacturer and vendor of soft luggage products, fashion and paper products (it used to be in handbags, but that division has been closed down).

Ernst and Young has come out and stated that it is unable to form an opinion as to whether or not the 1999 accounts *'give a true and fair view, in all material respects, of the state of affairs of the Company and of the Group as at 31, March 1999 ...'*

Note One to the 1999 Accounts makes it very clear that his Company is in serious financial trouble, and the recent High Court Writ must be further proof of the situation since the Plaintiff is only seeking, what must have been considered, just 2 years ago, as being a paltry sum of money.

Note One to the Accounts of Wah Fu makes the following statement:

'At 31 March 1999, the Group had net current liabilities of approximately HK\$37,612,000. The Group also incurred a net loss attributable to shareholders of approximately HK\$68,932,000 and reported a decrease in cash and cash equivalents for the year ended 31 March 1999 of HK\$31,260,000.'

'Subsequent to the balance sheet date, certain bankers of the Group have either withdrawn, reduced or frozen substantially all of the banking facilities previously granted to the Group. In addition, certain bank agreements require the Group to satisfy specific financial covenants. One of these covenants, in respect of a facilities for HK\$12 million utilised by the Group to the extent of approximately HK\$4,167,000 at 31 March 1999, requires the Group to at all times maintain a consolidated net tangible assets value of not less than HK\$60,000,000 (the "Covenanted Amount"). At 31 March 1999, the Group was however unable to maintain the Covenanted Amount...'
(TARGET has made no changes to the original text)

The Note goes on to state that Management is looking for ways to get some more money, ... [CLICK TO ORDER FULL ARTICLE](#)

