

TARGET

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SHEUNG MOON HOLDINGS LTD: WILL THIS CORPORATE PROBLEM-CHILD EVER RECOVER ?

The Mountainous Financial Problems Will Not Just Fade Away

Trading in the shares of Sheung Moon Holdings Ltd (常滿控股有限公司) (Code: 8523, The Growth Enterprise Market – The GEM – The Stock Exchange of Hongkong Ltd) has been suspended since August 15, 2022.

This event followed the issuance of, inter alia, a ‘*Disclaimer of Opinion*’ of the former, Independent Auditor’s Report (Cheng and Cheng Ltd [鄭鄭會計師事務所有限公司]), dated Friday, August 12, 2022.

At the foot of Page 60 of the 2023 Annual Report of Sheung Moon Holdings Ltd, under the heading, ‘*AUDITOR*,’ one was informed in the following two paragraphs:

‘Deloitte Touche Tohmatsu (德勤·關黃陳方會計師行) resigned as the auditor of the Company on 8 February 2022 and Cheng & Cheng Limited was appointed as the auditor of the Company with effect from 14 February 2022 to fill the casual vacancy following the resignation of Deloitte Touche Tohmatsu.

*‘Cheng & Cheng Limited resigned as the auditor of the Company on 27 March 2023 and Confucius International CPA Limited (天健國際會計師事務所有限公司) (“*Confucius*”) was appointed as the auditor of the Company with effect from 13 April 2023 to fill the casual vacancy following the resignation of Cheng & Cheng Limited.’*

In the 2023 Annual Report of Sheung Moon Holdings Ltd, at Pages 88 through to 91, Confucius International CPA Ltd made the following pronouncements:

‘DISCLAIMER OF OPINION

*‘We were engaged to audit the consolidated financial statements of Sheung Moon Holdings Limited (“*the Company*”) and its subsidiaries (collectively referred to as the “*Group*”) set out on pages 92 to 175, which*

comprise the consolidated statement of financial position as at 31 March 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

‘We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

‘BASIS FOR DISCLAIMER OF OPINION

‘Material Uncertainty Related To Going Concern

‘As described in note 3.3 to the consolidated financial statements for the year ended 31 March 2023, the Group reported a loss of approximately HK\$26,772,000 and as at that date, the Group recorded net current liabilities of approximately HK\$98,536,000 and net liabilities of approximately HK\$52,888,000. As at the same date, the Group’s cash and cash equivalents amounted to approximately HK\$3,594,000, while the Group recorded bank borrowings of approximately HK\$63,128,000 in current liabilities.

‘During the year, a wholly-owned subsidiary of the Company did not repay bank borrowings on time with carrying amount of approximately HK\$60,082,000 in accordance with the facilities terms of the financial institutions. In June 2023, renewal of part of the borrowings with carrying amount of approximately HK\$7,163,000 as at 31 March 2023 has been reached between the Group and the financial institution. The remaining default bank borrowings entitled the banks a right to demand for immediate repayment of the bank borrowings from the Group.

‘During the year and up to the date of this report, the wholly-owned subsidiary of the Company was engaged in legal proceedings with several creditors in relation to a sum of approximately HK\$1,436,000 recorded in trade payables at 31 March 2023.

‘The consolidated financial statements have been prepared on a going concern basis, on the assumptions that the financial institutions do not have any current intention to exercise their right to demand immediate repayment of the bank borrowings and the successful implementation of the measures set out in note 3.3 to the consolidated financial statements. The validity of the going concern basis depends on the outcome of these measures, which are subject to multiple uncertainties, including (i)

whether the Group is able to obtain additional sources of financing as and when needed; (ii) the successful negotiations between the Group and the financial institutions for the renewal of or extension for repayment of the current borrowings; (iii) the successful negotiations between the Group and creditors for mediation or extension for repayment of the trade payables; and (iv) whether the Group can successfully improve its operation to generate sufficient operating cash inflow...

'In view of the extent of the uncertainty relating to the successful outcome of renewal or extension negotiations of the default bank borrowings and other creditors as to whether they will exercise their rights to demand immediate repayment of the balance or to extend the repayment, we were unable to obtain sufficient appropriate audit evidence in relation to the adoption of the going concern basis in preparing the consolidated financial statements.

'OTHER MATTER

- i) *Had we not disclaimed our opinion in respect of the matter described in the Basis of Disclaimer of Opinion section above, we would otherwise have modified our opinion in respect of the scope limitations on our audit relating to the matters detailed below.*

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