

TARGET

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Part I of II

HUA YIN INTERNATIONAL HOLDINGS LTD: HOW DIFFICULT IS THE FINANCIAL SITUATION IN THIS COMPANY?

The Independent Auditor of Hua Yin International Ltd – Forvis Mazars CPA Ltd (富睿瑪澤會計師事務所有限公司) – might well have been responsible, by accident or design, the setting in place, in or about Wednesday, June 26, 2024, a single paragraph, labelled: ‘***MATERIAL UNCERTAINTY RELATING TO GOING CONCERN.***’

The following is a verbatim copy of the financials that must have caught the eyes of Mr Lee Ka Fu (李家富), Practising Certificate Number, P082080, an employee of Forvis Mazars CPA Ltd, with regard to a lingering situation that appeared, potentially, but resulted in dire destitutions of Hua Yin International Holdings Ltd (華音國際控股有限公司) (Code: 989, Main Board, The Stock Exchange of Hongkong Ltd).

Mr Lee Ka Fu was likely to have been responsible, to a material degree, of bringing attention to Senior Management of Hua Yin International Holdings Ltd, the following situations, causing Forvis Mazars CPA Ltd to call to attention of the following matters:

*‘We draw attention to the “**Going concern basis**” section in note 2.1 to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared, which states that the Group’s current portion of bank and other borrowings amounted to RMB420,640,000, while its unrestricted cash and cash equivalent amounted to RMB53,635,000. The Group may take longer time than expected to realise cash from the sales of its properties and/or have cash from external financing to meet its loan repayment obligations. These conditions, along with other matters as set forth in note 2.1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern and, therefore that it may be unable to realise its assets*

and discharge its liabilities in the normal course of business. The directors, having considered the measures to be taken by the Group as disclosed in note 2.1 to the consolidated financial statements, are of the opinion that the Group would be able to continue as a going concern. Accordingly, the directors have prepared the consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments that would result from a failure of achieving the measures. We consider appropriate disclosures have been made in this respect. Our opinion is not modified in respect of this matter.'

The Rebuttals

At Pages 117-118 of the 2023-2024 Annual Report of Hua Yin International Holdings Ltd, the Directors of the Company, under the heading, '**Going concern basis**,' rebutted the determinations of Forvis Mazars CPA Ltd, stating, inter alia:

'The Group had net current assets of approximately RMB108,016,000 as at 31 March 2024. However, the Group's current portion of bank and other borrowings amounted to RMB420,640,000 while its unrestricted cash and cash equivalents amounted to RMB53,635,000. In addition, in view of the current condition of the property market, coupled with the limited source of financing from the capital market, the Group may take longer time than expected to realise cash from the sale of its properties and/ or have the cash from external financing to meet its loan repayment obligations. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Notwithstanding the aforesaid conditions, the consolidated financial statements have been prepared on a going concern basis on the assumption that the Group is able to operate as a going concern for the foreseeable future. In the opinion of the Directors, the Group can meet its financial obligations as and when they fall due within the next twelve months, after taking into consideration of the measures and arrangements made by the Group as detailed below:

- (i) the Group is expected to generate adequate cash flows to maintain its operations;*
- (ii) the Group has obtained continuous financial support from the Group's controlling shareholder, and the controlling shareholder has confirmed that it will not demand the Group for repayment of the loans from controlling shareholder within the next twelve months should the Group not be in the financial position to make such repayment; and,*
- (iii) the Group is actively reviewing its debt structure and looking for funding opportunities. It is actively negotiating with financial institutions to extend or renew existing borrowings and to secure new sources of financing at reasonable costs.*

'The Directors have prepared a cash flow forecast covering a period up to 30 June 2025 on the basis that the negotiation with financial institutions for the renewals of the Group's borrowings and credit facilities would be successful and would obtain continuous financial support from the Group's controlling shareholder. The Directors are satisfied that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the twelve months from 31 March 2024.

'Accordingly, the Directors of the Company are of the view that it is appropriate to prepare these consolidated financial statements on a going concern basis.'

THE PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

The business of Hua Yin International Holdings Ltd was ... [CLICK TO ORDER FULL ARTICLE](#)

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