

TARGET

Intelligence Report

VOLUME XXVI No. 254

THURSDAY

November 21, 2024

PART II OF II

RENCO HOLDINGS GROUP LTD: MANAGEMENT'S CONTINUOUS STRUGGLE FROM DROWNING IN DEBT

THE INDEPENDENT AUDITOR'S REPORT

The Independent Auditor of Renco Holdings Group Ltd (融科控股集團有限公司) (Code: 2323, Main Board, The Stock Exchange of Hongkong Ltd) is Zhonghui Anda CPA Ltd (中匯安達會計師事務所有限公司), Certified Public Accountants.

The following is, inter alia, the '**QUALIFIED OPINION**' of Zhonghui Anda CPA Ltd, having scanning the '**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**' of the Company:

*'We have audited the consolidated financial statements of Renco Holdings Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 154 to 288, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.*

'In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then

ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

‘BASIS FOR QUALIFIED OPINION

‘1. Loan to an associate, trade receivables, loan receivables, note receivables and other receivables

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of a loan to an associate, certain trade receivables, loan receivables, note receivables and certain other receivables of HK\$50,812,000, HK\$Nil, HK\$630,135,000, HK\$Nil and HK\$52,104,000 as at 31 December 2023 respectively and HK\$55,907,000, HK\$Nil, HK\$785,703,000, HK\$69,049,000 and HK\$57,295,000 respectively as at 31 December 2022 and whether the loss allowance provisions in respect to a loan to an associate, certain trade receivables, loan receivables, note receivables and certain other receivables of HK\$Nil, HK\$Nil, HK\$142,500,000, HK\$69,049,000 and HK\$5,191,000 respectively for the year ended 31 December 2023 and HK\$33,542,000, HK\$5,464,000, HK\$233,461,000, HK\$69,050,000 and HK\$51,988,000 respectively for the year ended 31 December 2022 were appropriately recorded.

In the absence of the information in relation to the financial status of these issuer, customers and borrowers on assessing its ability for settling on these outstanding amounts to the Group, the management considered that there is uncertainty on recovering the above-mentioned balances. The management has initiated actions including but not limited to legal action against certain abovementioned balances, hence no result from actions is available up to the date of this report for justifying the extent of the recoverability of the aforesaid balances. There are no other satisfactory audit procedures that we could adopt to determine whether any allowance for non-recovery of the amount should be made in respect to a loan to an associate, certain trade receivables, loan receivables, note receivables and certain other receivables in the consolidated financial statements for the years ended 31 December 2023 and 2022.

‘2. Other payables and accruals

Included in other payables and accruals in the consolidated statement of financial position as at 31 December 2023 and 2022 were other payables and accruals of approximately HK\$2,311,000 and HK\$2,375,000 respectively which were due to a party. Due to the limited accounting books and records available to us, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as

to the nature and obligation of other payables and accruals of approximately HK\$2,311,000 and HK\$2,375,000 respectively as at 31 December 2023 and 2022. There are no other satisfactory audit procedures that we could adopt to determine the nature and whether any written-back should be made in the consolidated financial statements for the years ended 31 December 2023 and 2022.

*Included in other gains and losses on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022 of approximately HK\$38,268,000, representing the amounts of written back on other payables and accruals (the “**Written Back**”). We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the Written Back of approximately HK\$38,268,000 were properly accounted for in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022.*

3. Tax payable

Included in tax payable in the consolidated statement of financial position as at 31 December 2023 and 2022 were of approximately HK\$266,790,000 and HK\$268,471,000 respectively which represent tax payables of certain subsidiaries. In the absence of final assessment from the relevant tax authority, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the obligation of tax payables of approximately HK\$266,790,000 and HK\$268,471,000 respectively as at 31 December 2023 and 2022 and whether the income tax expense for the years ended 31 December 2023 and 2022 respectively were appropriately recorded...

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

‘We draw attention to Note 2 in the consolidated financial statements, which indicates that the Group incurred a consolidated net loss of approximately HK\$376,286,000 during the year ended 31 December 2023 and as at 31 December 2023 the Group had net current liabilities and net liabilities of approximately HK\$916,410,000 and HK\$104,588,000 respectively. In addition, the Group had outstanding borrowings of approximately HK\$1,195,468,000 which would be due for repayment within the next twelve months or on demand, loan from a director of approximately HK\$16,957,000 which are repayable on demand and bank balances and deposits of approximately HK\$23,877,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter...’.

SENIOR EXECUTIVES OF RENCO HOLDINGS GROUP LTD

The Senior Executives of Renco Holdings Group Ltd comprise three Executive Directors, namely:

- Mr Li Yong Jun (李永軍), aged 55 years. He had been appointed to the position of the Chairman of the Board of Directors with effect from April 6, 2020.

Mr Li Yong Jun is said to be primarily responsible for leading the Board of Directors, ensuring the effective operation of the Board, and providing business strategies and management advice to the Board.

It is said that, as at April 10, 2024, Mr Li Yong Jun had a beneficial ownership interest in 624,960,000 shares of the Company, representing approximately 23.60 percent of the entire Issued and Fully Paid-Up Share Capital of Renco Holdings Group Ltd.

More ... [CLICK TO ORDER FULL ARTICLE](#)

While TARGET makes every attempt to ensure accuracy of all data published, TARGET cannot be held responsible for any errors and/or omissions.

If readers feel that they would like to voice their opinions about that which they have read in TARGET, please feel free to e-mail your views to editor@targetnewspapers.com. TARGET does not guarantee to publish readers' views, but reserves the right so to do subject to the laws of libel.