

**RICHE MULTI-MEDIA HOLDINGS LTD:
THE HONGKONG GOVERNMENT SUES FOR ALLEGED BACK TAXES**

For the second time, this year, The Commissioner of Inland Revenue of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) has gone after a wholly owned subsidiary of publicly listed Riche Multi-Media Holdings Ltd (豐采多媒體集團有限公司) (Code: 764, Main Board, The Stock Exchange of Hongkong Ltd) for alleged, non-payment of profits tax.

The subsidiary is Ocean Shores Licensing Ltd, which is an indirect subsidiary via Gainful Fortune Ltd.

The Commissioner has hit Ocean Shores with a bill for \$HK13,818,921.20, the claim, having been recorded in a recently filed District Court Writ, according to the database of **TOLFIN** (The Computerised Online Financial Intelligence Service and Web-Based, Credit-Checking Provider).

TOLFIN, also, has recorded that, on March 30, 2005, Ocean Shores was, also, sued by The Commissioner for alleged non-payment of Profits Tax, amounting to \$HK12,575,614.00.

Whether or not the HKSAR taxman will, ever, see its money is questionable, however.

The following **TOLFIN** intelligence will elucidate TARGET Subscribers as to the reason that this medium has made the above statement.

Riche Multi-Media, a company, which is controlled by its Chairman, Mr Heung Wah Keung (向華強), and his wife, Ms Tiffany Chen Ming Yin (陳明英), who, together, hold about 50.12 percent of the Issued and Fully Paid-Up Share Capital of the publicly listed company, is involved, primarily, in the distribution of films in the HKSAR and in the PRC, proper.

Of late, this company has been having considerable difficulty in its operations and has had to write off very material sums of money.

For the Financial Year, ended December 31, 2004, the company reported a Loss Attributable to Shareholders of about \$HK268.39 million against a Net Profit Attributable to Shareholders of about \$HK117.13 million, recorded in the 2003-Year.

For the 2001 and 2002 Financial Years, the company logged in Losses Attributable to Shareholders of about \$HK98.50 million and \$HK25.29 million, respectively.

For the 6-month period, ended June 30, 2005, Riche Multi-Media logged in another Loss Attributable to Shareholders of about \$HK15.27 million.

As at June 30, 2005, the company had bank balances and cash of about \$HK3.67 million.

In the Consolidated Balance Sheet, it is shown, under Current Liabilities: '*Taxation Payable – \$HK23,131,000*'

Getting back to the 2004 Annual Report, at Page 6, it is stated:

'In 2002, Gainful Fortune Limited ("Gainful"), an associate of the Group, issued the convertible notes in an aggregate amount of HK\$160,000,000 to the Group for the purchase of the hotel and intranet distribution rights in the PRC in respect of an aggregate of up to 300 films and the entire

issued share capital of Ocean Shores Licensing Limited ("OSLL"). Gainful faced the illegal broadcasting of the Group's films by hotel operators in the PRC and its business did not progress as planned. For prudence, an allowance for advances to an associate of HK\$138,531,000 was made against the convertible notes and advances made to Gainful at 31st December 2004. In April 2005, the Group exercised its right to convert the outstanding principal amount of the convertible notes into shares of Gainful. Accordingly, Gainful and OSLL become subsidiaries of the company and the Group repossesses the 300 films previously sold.'

(Editor's Note: TARGET has copied this paragraph as it appears in the 2004 Annual Report)

Note 18 of this Report, '**INTEREST IN ASSOCIATES**', indicates that an allowance in the amount of \$HK160 million had been made in respect of Gainful/Ocean Shores.

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