

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



金粵控股有限公司

Rich Goldman Holdings Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00070)

SUPPLEMENTARY ANNOUNCEMENT IN RELATION TO THE ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2017

Reference is made to the announcement of Rich Goldman Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 3 October 2017 in relation to the financial results of the Group for the year ended 30 June 2017 (the “**Announcement**”).

BASIS FOR QUALIFIED OPINION

Reference is made to the paragraph headed “Basis for Qualified Opinion” set forth in the section headed “Extract of Independent Auditor’s Report” in the Announcement regarding the qualified opinion provide by the auditors of the Company, Zhonghui Anda CPA Limited (“**Zhonghui**”) on (i) the investment in an associate and loss on disposal of an associate; and (ii) the intangible assets in respect of the junket business. Set out below is the supplementary information regarding the aforesaid qualified opinion:

Investment in an associate and loss on disposal of an associate

The qualified opinion was related to the investment in Good Omen Enterprises Limited (“**Good Omen**”), a BVI Company incorporated with limited liability which is principally involved in receiving profit streams from gaming and entertainment related business. Prior to its disposal, it was indirectly owned as to 20% by the Company and 80% by Ms. Lao Sio Meng (“**Ms. Lao**”) and was accounted for as an associate by the Company.

As disclosed in the annual report of the Group for the year ended 30 June 2016, in September 2015, Good Omen engaged a lawyer to recover outstanding trade receivables owed by the junket promoter. The Group did not take any further actions as it only held 20% interest, a non-controlling interest in Good Omen and the remaining 80% interest is held by Ms. Lao, the sole owner of the junket, and therefore the Group in a very weak position to take actions against junket promoter as both Good Omen and the junket promoter are controlled by Ms. Lao. As such, the Board is of the view that it would be appropriate to dispose of its interest in Good Omen.

On 23 March 2017, the Group entered into the share transfer agreement with Ms. Lao in relation to the disposal (the “**Disposal**”) of its 20% equity interest in Good Omen for a consideration of HK\$10 million. As all of the applicable ratios in respect of the Disposal were less than 5% at the material time, the Disposal did not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules.

Intangible assets in respect of the junket business

(i) Background of intangible assets in respect of the junket business

Profit Sharing Agreements

The Group entered into respective profit sharing agreements with Hou Wan Entertainment Unipessoal Limitada (“**Hou Wan**”), Neptune Ouro Sociedade Unipessoal Limitada (“**Neptune Ouro**”) and Hao Cai Sociedade Unipessoal Limitada (“**Hao Cai**”) during the year ended 30 June 2009. The Group subsequently entered into another two profit sharing agreements with Lucky Star Entretenimento Unipessoal Limitada (“**Lucky Star**”) and Hoi Long Sociedade Unipessoal Limitada (“**Hoi Long**”) during the year ended 30 June 2010 and the year ended 30 June 2013, respectively. There is no expiry date shown in the profit sharing agreements entered into by the Group with the above junkets (collectively, the “**Profit Sharing Agreements**”).

Hou Wan, Neptune Ouro, Hao Cai, Lucky Star and Hoi Long are all companies incorporated in Macau.

Junket Representative Agreement – Hou Wan

On 17 February 2006, Hou Wan entered into a junket representative agreement with Venetian Macau Limited (“**Venetian Casino**”). The agreement was effective from 1 January 2006 to 31 December 2006. On 11 April 2007, Hou Wan entered into a junket representative agreement with Venetian Casino effective until 31 December 2007. On 5 February 2008, Hou Wan entered into a junket representative agreement with Venetian Casino effective until 31 December 2008. On 1 January 2009, Hou Wan entered a junket representative agreement with Venetian Casino effective until 31 December 2009.

In 2010, Hou Wan entered into a junket representative agreement with Venetian Casino with effect of an one-year term with a new clause (the “**Renewal Clause**”) that “At the expiry of the initial term, the term of the agreement shall automatically renew for one year terms, unless either party gives the other party written notice of non-renewal thirty days prior to the expiration of the initial term or applicable renewal term”. On 30 December 2016, Hou Wan entered into a junket representative agreement with Venetian Casino with the Renewal Clause. The agreement was effective until 31 December 2017. On 31 July 2017, Hou Wan received a notice from Venetian Casino for termination effective on 30 August 2017.

Junket Representative Agreements – Neptune Ouro and Hao Cai

On 31 August 2007, Hao Cai entered into a junket representative agreement with Venetian Casino. The agreement was effective from 31 August 2007 to 31 December 2008. On 5 February 2008, Hao Cai entered into a junket representative agreement with Venetian Casino effective until 31 December 2008.

Subsequently in 2010 and 2011, Hao Cai entered into a junket representative agreement with effect of an one-year term with a new clause that “at the expiry of the initial term, the term of the Agreement shall automatically renew for one year terms, unless either party gives the other party written notice of non-renewal thirty days prior to the expiration of the initial term or applicable renewal term”. On 31 May 2017, Hao Cai received a notice from Venetian Casino for termination effective on 30 June 2017.

Junket Representative Agreement – Lucky Star

On 23 June 2008, Lucky Star entered into a junket representative agreement with Galaxy Casino, S.A. (“**Galaxy Casino**”). On 18 June 2015, Lucky Star received a notice from Galaxy Casino for termination with effect on 1 July 2015.

Junket Representative Agreements – Hoi Long

On 28 April 2017, Hoi Long entered into a renewal and supplementary junket representative agreement with Sociedade De Jogos De Macau, S.A. (“**SJM**”) (the “**Hoi Long Agreement**”). The agreement was effective from 28 April 2017 to 28 April 2018.

The agreement dated 28 April 2017 confirmed that Hoi Long had entered into a junket representative agreement with SJM on 26 April 2012 effective until 28 April 2015. Another two renewal agreements dated 27 April 2015 and 15 February 2016 were effective until 28 April 2016 and 28 April 2017, respectively (together with the aforementioned junket representative agreements, collectively the “**Junket Representative Agreement**”).

(ii) Reason for the audit qualification

According to Hong Kong Accounting Standard 38 “Intangible Assets”, the useful life shall be assessed by whether an entity is definite or indefinite.

The Company confirmed that no further information could be provided. According to the available information provided by the Company, Zhonghui was unable to reliably assess and conclude the useful life determination of the intangible assets as follows:

- Initial recognition of the intangible assets (useful life is ruled as indefinite)

Zhonghui was unable to conclude whether the useful life of intangible assets is indefinite according to the Profit Sharing Agreements without defined expiry term and the Junket Representative Agreements with defined expiry term.

- 1st reassessment on useful life due to termination of Lucky Star as at 30 June 2016 (useful life is changed from indefinite to remaining 5 to 7 years)

According to Hong Kong Accounting Standard 8 “Accounting Policies, Changes in Accounting Estimates and Errors”, the accounting effect of error shall be applied retrospectively and the accounting effect of change of estimate shall be recognized prospectively.

Zhonghui would not assess how much of the impact of the change is due to error and estimate how much is due to change. Zhonghui was unable to justify the effect of the adjustment related to the year ended 30 June 2016, and prior years.

- 2nd reassessment on useful life due to termination of Hou Wan, Neptune Ouro, Hao Cai as at 30 June 2017 (useful life is changed from remaining 4 to 6 years to remaining 0 to 10 months)

Zhonghui would not assess how much of the impact of the change is due to error and estimate how much is due to change in estimate. Zhonghui is unable to justify the effect of the adjustment related to the years ended 30 June 2017, 2016, and prior years.

The impact of the above uncertainties is material to the consolidated financial statements of the Group. Zhonghui therefore qualified the carrying value of intangible assets as at 30 June 2016 and 2017 and the impairment and amortization charged for the years ended 30 June 2016 and 2017.

(iii) Communication with Crowe Horwath (HK) CPA Limited (“**Crowe Horwath**”)

Zhonghui sent a professional clearance letter to Crowe Horwath, the previous auditor of the Group, on 18 January 2017, to seek advice as to whether there are any circumstances surrounding the proposed change of which Zhonghui should be aware of. On 20 January 2017, Crowe Horwath advised that Crowe Horwath were not aware of any professional reasons that would preclude Zhonghui from accepting the nomination as auditor of the Group.

In the same clearance letter, Zhonghui sent a professional clearance letter to seek consent from Crowe Horwath in allowing Zhonghui to access Crowe Horwath’s working papers of the Group for the year ended 30 June 2016, and to verify the opening balances of the financial statements of each of the entities of the Group. However, Crowe Horwath did not address such matter in their reply letter.

Further, Crowe Horwath resigned as auditor of the Group on 16 January 2017, whereas the Company was informed by Hou Wan and Hao Cai about the termination arrangements of Hou Wan and Hao Cai on 31 July 2017 and 31 May 2017, respectively. The information regarding the aforesaid termination arrangements was therefore not available to Crowe Horwath. In view of this, Zhonghui considered that it was not necessary to communicate with Crowe Horwath regarding the qualification.

(iv) Company’s response to the qualified opinion

As at 30 June 2017, the carrying value of the intangible assets relating to the Hoi Long Agreement (the “**Hoi Long Intangible Assets**”) amount to HK\$55 million and the Hoi Long Agreement shall remain valid until 28 April 2018. The Company would provide the amortisation to the income statement for the year ending 30 June 2018 based on the aforesaid remaining useful life and the carrying value. It is the intention of the Group to continue the junket business and it is expected that the Hoi Long Agreement will be renewed upon its expiry.

The Company has explored with Zhonghui in relation to how the qualified opinion in respect of the Hoi Long Intangible Assets can be removed in the coming year, and noted that the current view of Zhonghui is that the qualified opinion can only be removed when either (a) the Hoi Long Agreement is expired, terminated, or extended during the year ending 30 June 2018, or (b) the impact of the uncertainties listed in the paragraph above “(ii) Reason for audit qualification” become immaterial to the consolidated financial statements of the Group for the year ending 30 June 2018. Set out below is the discussion of these scenarios:–

(a) If the Hoi Long Agreement is expired

If the Hoi Long Agreement is expired and not renewed during the year ending 30 June 2018, the carrying value of the Hoi Long Intangible Assets would become nil as at 30 June 2018. Given Zhonghui has provided qualified opinion on the carrying value of the Hoi Long Intangible Assets as at 30 June 2017, if the amortization charge in respect of the Hoi Long Intangible Assets (which is calculated based on the carrying value of the Hoi Long Intangible Assets as at 30 June 2017) for the year ending 30 June 2018 is material, Zhonghui would consider qualifying such amortization charge for the year ending 30 June 2018. There would be no qualification regarding the carrying value of the Hoi Long Intangible Assets as at 30 June 2018 as such amount would become nil.

(b) If the Hoi Long Agreement is terminated

If the Hoi Long Agreement is terminated during the year ending 30 June 2018, the Company would provide an impairment loss to the income statement and the carrying value of the Hoi Long Intangible Assets would become nil as at 30 June 2018. Given Zhonghui has provided qualified opinion on the carrying value of the Hoi Long Intangible Assets as at 30 June 2017, if the amortization charge (prior to the termination of the Hoi Long Agreement) (which is calculated based on the carrying value of the Hoi Long Intangible Assets as at 30 June 2017) and impairment loss in respect of the Hoi Long Intangible Assets for the year ending 30 June 2018 are material, Zhonghui would consider qualifying the such amortization charge and impairment loss for the year ending 30 June 2018. There would be no qualification regarding the carrying value of the Hoi Long Intangible Assets as at 30 June 2018 as such amount would become nil.

(c) If the Hoi Long Agreement is extended

If the Hoi Long Agreement is extended with a definite useful life, instead of renewed for a term of one year upon its expiry, during the year ending 30 June 2018, the Company would (aa) recognize the Hoi Long Intangible Assets based on the definite useful life and the valuation of Hoi Long Agreement as at the date of such extension; (bb) provide amortization to the income statement based on the carrying value of the Hoi Long Intangible Assets as at 30 June 2017 (prior to the extension of the Hoi Long Agreement); and (cc) provide amortisation to the income statement based on the Hoi Long Intangible Assets recognized by the Group on the date of the extension of the Hoi Long Agreement (after the extension of the Hoi Long Agreement). Given Zhonghui has provided qualified opinion on the carrying value of the Hoi Long Intangible Assets as at 30 June 2017, if the amortization charge as described in (bb) above for the year ending 30 June 2018 is material, Zhonghui would consider qualifying such amortization charge for the year ending 30 June 2018. Zhonghui would not further qualify the carrying amount of the intangible asset as at 30 June 2018.

(d) The impact of the uncertainties listed in the paragraph above “(ii) Reason for audit qualification” become immaterial to the consolidated financial statements of the Group for the year ending 30 June 2018

If the impacts of the uncertainties listed on in the paragraph above “(ii) Reason for audit qualification” become immaterial to the consolidated financial statements of the Group for the year ending 30 June 2018, no qualification would be made by Zhonghui in respect of the Hoi Long Intangible Assets. As discussed above, it is the intention of the Group to continue the junket business and it is expected that the Hoi Long Agreement will be renewed upon its expiry. Therefore, it is expected the scenarios (a) and (b) as discussed above would not take place for the year ending 30 June 2018.

In order to remove the qualified opinion, the Company has been in discussion with Mr. Tam, the sole owner of Hoi Long and the owner of 80% interest of Essence Gold (a company which is owned as to 20% by the Company and entitled to the profit stream of Hoi Long under Hoi Long Agreement pursuant to the profit sharing agreement entered into among Hoi Long, Essence Gold and Mr. Tam, details of which are set out in the announcement of the Company dated 19 September 2012), to explore the feasibility for the entering into of a new junket representative agreement between Hoi Long and SJM for the extension of the Hoi Long Agreement with a definite useful life. Mr. Tam advised that he has discussed with SJM for such extension.

It should however be noted that it is uncertain as to whether SJM will be willing to negotiate with Mr. Tam to extend the Hoi Long Agreement with a definite useful life. Save as the aforementioned, there are no further actions which can be taken by the Company.

The Company has been exploring various ways to resolve the qualified opinion, but is yet to come up with a concrete solution to address the issue. The Company will publish further announcements to update the Shareholder and potential investor as and when appropriate.

Certain additional information above has been disclosed in the annual report of the Company for the year ended 30 June 2017, which was published on 31 October 2017, and does not affect other information contained in the Announcement.

By order of the Board
Rich Goldman Holdings Limited
Lin Chuen Chow, Andy
Executive Director

Hong Kong, 29 November 2017

As at the date of this announcement, the Board comprises Mr. Danny Xuda Huang, Mr. Nicholas J. Niglio and Mr. Lin Chuen Chow, Andy as executive Directors; and Mr. Cheung Yat Hung, Alton, Mr. Yue Fu Wing and Miss Yeung Hoi Ching as independent non-executive Directors