



RICHE MULTI-MEDIA HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)
(Stock Code: 764)

(I) FORMATION OF JOINT VENTURE AND GRANTING OF FACILITY — MAJOR TRANSACTION, (II) LETTER OF INTENT AND (III) RESUMPTION OF TRADING

JV CO. AND FACILITY

The Board wishes to announce that on 11th May, 2007 (after trading hours), the Company and Legend Rich entered into the JV Agreement with Steve Leung Hotel Design and Management Limited for the purpose of setting up of JV Co. JV Co. is held as to 75% by Legend Rich and 25% by Steve Leung Hotel Design and Management Limited. Rich Joy has agreed to grant JV Co. the Facility for the purpose of its business and working capital requirements.

On 11th May, 2007 (after trading hours), Rich Joy and JV Co. entered into the Facility Agreement pursuant to which Rich Joy has agreed to provide the Facility, which is revolving in nature, to JV Co. The provision of the Facility is a major transaction for the Company under Chapter 14 of the Listing Rules.

The Company will despatch a circular containing, among other things, (i) details of the terms and conditions of the Facility and (ii) a notice of the SGM in due course.

LETTER OF INTENT

On 11th May, 2007 (after trading hours), JV Co. entered into a non-binding letter of intent with China Star, a substantial Shareholder, whereby, conditional upon the completion of the Acquisitions and the Disposals. China Star has agreed to appoint JV Co. to manage and conduct branding for the Kingsway Hotel.

Shareholders and/or investors should note that the proposed transaction pursuant to the non-binding letter of intent may or may not proceed, no formally binding documentation have been executed and discussions are currently at a preliminary stage. A further announcement will be made as and when applicable. Accordingly, Shareholders are therefore advised to exercise caution when trading in the Shares.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 14th May, 2007 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 17th May, 2007.

The Board wishes to announce that on 11th May, 2007 (after trading hours), the Company and Legend Rich entered into the JV Agreement with Steve Leung Hotel Design and Management Limited for the purpose of setting up of JV Co. JV Co. is held as to 75% by Legend Rich and 25% by Steve Leung Hotel Design and Management Limited. The Company has agreed to guarantee the obligations of Legend Rich under the JV Agreement.

JV Co. has been established to invest in, manage and conduct branding for real estate and/or related properties in Macau including but not limited to hotel(s), service apartment(s), restaurant(s), retail(s), catering(s), resort(s), club(s), residential(s) and any other service position. The total assets of JV Co. is US\$100 and JV Co. has no liabilities as at the date of this announcement. There is no profit or loss recorded in the unaudited management accounts of JV Co. for the period commencing on 27th March, 2007 (being its date of incorporation) to the date of this announcement.

Pursuant to the JV Agreement, the financing requirements of JV Co. shall be borne solely by Legend Rich. As such, Legend Rich has procured the Company, through Rich Joy, to provide the Facility to JV Co.

In order for JV Co. to proceed with its business of investing in, management and branding for real estate and/or related properties in Macau, Rich Joy has entered into the Facility Agreement to grant the Facility to JV Co., details of which are set out below. The formation of JV Co. and the granting of the Facility constitute a major transaction under Chapter 14 of the Listing Rules (on the assumption of the whole Facility amount is drawdown). JV Co. has not yet formally identified a target acquisition although it is in discussions with several potential targets.

The Company will despatch a circular containing, among other things, (i) details of the terms and conditions of the Facility and (ii) a notice of the SGM in due course.

INFORMATION ON STEVE LEUNG HOTEL DESIGN AND MANAGEMENT LIMITED AND MR. STEVE LEUNG

Mr. Steve Leung is an architect and interior designer. In 1997, Mr. Steve Leung established Steve Leung Designers Ltd., subsequently opening branches in Guangzhou, Shanghai and Beijing. He works on a wide spectrum of design projects — hotels, restaurants, shops, office and show flats, etc. In 2001, Mr. Steve Leung branched out into furniture design, creating unique collections such as “i-chi”, “cube”, and “ling-long”.

In 2006, Mr. Steve Leung won for the sixth time the Best Interior Designers Worldwide award in the Andrew Martin International Awards 2006, the Oscars of design. His creations won the highest accolades in several categories of the Asia Pacific Interior Design awards for four consecutive years, and are highly credited in international hospitality design awards, like Gold Key Awards and Hospitality Awards in the USA. He has been credited with over 50 awards in the Asia Pacific region and internationally.

Steve Leung Hotel Design and Management Limited and its ultimate beneficial owners are Independent Third Parties.

MISCELLANEOUS

The Group has had a previous dealing with Steve Leung Designers (Shanghai) Ltd in relation to a design contract for the property acquired by the Company in Beijing as detailed in the Company’s circular dated 19th May, 2006. The amount of such contract is RMB7,000,000. The Company considers that aggregation under Rule 14.22 of the Listing Rules is not required as the previous transaction was in different nature.

DETAILS OF THE FACILITY

The principal terms and conditions of the Facility are as follows:

Date

11th May, 2007

Parties

- (i) Rich Joy (as lender); and
- (ii) JV Co. (as borrower).

THE AMOUNT

Subject to the terms and conditions of the Facility, Rich Joy has agreed to grant the Facility to JV Co. The Facility is of up to HK\$200,000,000. The amount of the Facility was determined by reference to the ballpark figure of properties currently scouted by JV Co. for investment and also for its general working capital purpose.

INTEREST

An interest rate of 6.5% per annum on the Facility is payable together with the principal. A default interest rate of 9.5% per annum is payable on any overdue amount whether principal or interest.

TERM

The Facility is for a term not exceeding 3 years commencing in the drawdown date.

CONDITIONS PRECEDENT

The drawdown of the Facility is subject to, amongst others, the condition that the Facility having been approved by the Shareholders in the SGM and the results of a due diligence on the projects to be entered into by JV Co. having been satisfactory to Rich Joy in its absolute discretion.

SECURITY

None

REPAYMENT

The JV Co. shall repay each revolving advance in full on or before the maturity date although Rich Joy shall have the right to request for immediate repayment of all outstanding amounts following a Review.

REASONS FOR AND BENEFITS OF THE FACILITY

The Group is principally engaged in the distribution of films, sub-licensing of film rights, sales of financial assets and property investments and will continue with such business following the formation of the JV Co.

In view of rampant piracy and weak demand for Hong Kong-made movies in the PRC, Hong Kong film production companies adopt a cautious approach in investing films. Such difficult operating environment places strong pressure on the profitability of the Group’s film distribution business. As a result, the Directors have been proactively identifying suitable investment opportunities to develop the Group’s business.

Following the liberalization of gaming industry in 2002, Macau has successfully established itself as the most important tourism and gaming destination in Asia and foreign investment has poured into Macau. In 2006, 20,000,000 people visited Macau. More visitors need more hotels, transport, residential properties and related services. An influx of expatriates working in overseas casino operators, hotel properties and convention & exhibition sector is demanding high-end serviced apartments. Various entertainment properties, such as small and medium hotels, need professional services on management and branding to meet the increase in competition. There is an upward trend of property value and rental in Macau driven by its significant economic growth.

Given the Directors’ positive outlook of the Macau property market and related service position, the Directors believe that the Group would capitalise on the connections and expertise of Mr. Steve Leung in managing and branding of real estate and/or related properties, interior design and property developments to develop the business of JV Co. and to establish a leading position in Macau’s property and related services markets. Also, the Directors believe that the formation of JV Co. would enable the Group to diversify its revenue source.

Upon the completion of formation of JV Co., JV Co. is a 75% owned subsidiary of the Company. The Directors believe that the provision of the Facility to JV Co. will facilitate the business of JV Co. and may in turn improve the Group’s profitability in the long run.

The directors of JV Co. have confirmed that the proceeds of the Facility shall be used by JV Co. exclusively for investing into, management and branding of real estate and/or related properties in Macau including but not limited to hotel(s), serviced apartment(s), restaurant(s), catering(s), retail(s), resort(s), club(s), residential(s) and any other service position. The Directors consider that the provision of the Facility and the terms of the Facility Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Facility will be funded by the Group’s internal resources.

Taking into the top-up placing of 1,296,860,000 new Shares as completed on 30th March, 2007 and subject to the completion of the Placing, the Group shall have sufficient internal resources to fund the Facility. In the event that the Placing is not approved by the Shareholders at the special general meeting to be convened on 18th May, 2007, the Company will issue an announcement in respect of the financing arrangement of the Facility.

LETTER OF INTENT

On 11th May, 2007, JV Co. entered into a non-binding letter of intent with China Star, a substantial Shareholder whereby, conditional upon the completion of the Acquisitions and the Disposals. China Star has agreed to appoint JV Co. to manage and conduct branding on the Kingsway Hotel.

Shareholders and/or investors should note that the proposed transaction pursuant to the non-binding letter of intent may or may not proceed, no formally binding documentation have been executed and discussions are currently at a preliminary stage. A further announcement will be made as and when applicable. Accordingly, Shareholders are therefore advised to exercise caution when trading in the Shares.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 14th May, 2007 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 17th May, 2007.

Definitions

“Acquisitions”	collectively the acquisitions by China Star of an aggregate 100% interest in Kingsway Hotel Limited as detailed in the announcements made by China Star on 15th June, 2006 and 4th January, 2007;
“Board”	the board of Directors;
“China Star”	China Star Entertainment Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange;
“Company”	Riche Multi-Media Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange;
“Consolidated Share(s)”	consolidated ordinary share(s) of HK\$0.10 each in the unissued and issued share capital of the Company upon the Share Consolidation becoming effective;
“Director(s)”	director(s) of the board of the Company;
“Disposals”	collectively the disposals of 50% of the issued quota of Kingsway Hotel Limited and 50% of the shareholder’s loan owing by Kingsway Hotel Limited to China Star as detailed in the announcement made by China Star on 21st March, 2007;
“Facility”	the revolving facility of up to HK\$200,000,000 to be granted by Rich Joy to JV Co.;
“Facility Agreement”	the agreement dated 11th May, 2007 entered into between Rich Joy and JV Co. in relation to the Facility;
“Facility Limit”	the maximum amount drawn under the Facility, being HK\$200,000,000;
“Group”	the Company and its subsidiaries;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Independent Third Party”	person who himself is, and (in the case of corporate entity) its ultimate beneficial owners are, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, third parties who are not connected persons of the Company and are independent of the Company and its subsidiaries, their directors, chief executives and substantial shareholders or their respective associates (as that term is defined in the Listing Rules);
“JV Agreement”	the agreement dated 11th May, 2007 entered into between Legend Rich, the Company and Steve Leung Hotel Design and Management Limited;
“JV Co.”	Best Season Holdings Corp., the joint venture company incorporated in the British Virgin Islands with limited liability as to US\$75 and US\$25 paid up by Legend Rich and Steve Leung Hotel Design and Management Limited respectively (a company wholly owned by Mr. Steve Leung);
“Legend Rich”	Legend Rich Limited, a wholly-owned subsidiary of the Company;
“Listing Rules”	the Rules Governing the listing of securities on The Stock Exchange of Hong Kong Limited;
“Macau”	Macau Special Administrative Region of the PRC;
“Placing”	the placing of 155,620,000 new Consolidated Shares as announced by the Company on 10th April, 2007;
“PRC”	the People’s Republic of China;
“Review”	an annual review by Rich Joy of the Facility (including amounts advanced) and determine whether to continue with the Facility;
“Rich Joy”	Rich Joy Investments Limited, a wholly-owned subsidiary of the Company;
“SGM”	the special general meeting to be convened for Shareholders to approve the granting of the Facility;
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Share Consolidation”	the proposed consolidated of every ten unissued and issued Shares in the share capital of the Company into one Consolidated Share as detailed in the announcement made by the Company on 10th April, 2007; and
“%”	per cent.

By Order of the Board of
Riche Multi-Media Holdings Limited
Heung Wah Keung
Chairman

Hong Kong, 16th May, 2007

As at the date of this announcement, the Board comprises two executive Directors namely, Mr Heung Wah Keung, Ms Chen Ming Yin, Tiffany and three independent non-executive Directors namely, Mr Tang Chak Lam, Gilbert, Mr Ho Wai Chi, Paul and Mr Lien Wai Hung.