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RICHE MULTI-MEDIA HOLDINGS LIMITED

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

MAJOR TRANSACTION INVOLVING ISSUE OF CONVERTIBLE NOTE AND GRANT OF BK SHARE OPTION AND RESUMPTION OF TRADING

The Directors are pleased to announce that on 9th April 2005, the S&P Agreement was entered into between Dragon Leader, as purchaser, Leadfirst, as seller, and Mr. Ki, as guarantor, pursuant to which Dragon Leader would acquire 100% of the issued share capital of Best Winning from Leadfirst at a consideration of HK\$600,000,000. The Consideration shall be satisfied by the issue of the Convertible Note in the principal amount of HK\$500,000,000 by the Company and the payment of cash of HK\$100,000,000. The cash portion of the Consideration will be satisfied by internal resources of the Group.

Best Winning is a company incorporated in the British Virgin Islands and is beneficially owned by Leadfirst. Leadfirst has been appointed by the sole operator of the Casino as the sole and exclusive service provider for the promotion and introduction of customers to the Vessel and the provision of rolling and settlement service for customers of the Casino under a binding memorandum of understanding. Such functions have been subcontracted to Best Winning under the Sub-Marketing Agreement entered into between Best Winning and Leadfirst whereby Best Winning is being appointed as the sole and exclusive service provider for the provision of these services in accordance with its terms. Best Winning will be entitled to (i) the Management Fee; and (ii) 40% of the monthly profit of the Casino (net win of the Casino after deducting the Management Fee, the rental of the Casino and other expenses of the Casino).

As the Consideration represents more than 25% but less than 100% under the applicable percentage ratios under Chapter 14 of the Listing Rules, the transactions contemplated under the S&P Agreement constitute a major transaction for the Company under the Listing Rules and will be subject to the approval of the Shareholders at the SGM. A circular containing, among others, further details of the Acquisition, the issue of the Convertible Note, the grant of the BK Share Option and a notice of the SGM will be despatched by the Company to the Shareholders as soon as practicable in accordance with the Listing Rules.

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 24th March 2005 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 18th April 2005.

THE S&P AGREEMENT

Date: 9th April 2005

- Parties: (i) Purchaser: Dragon Leader;
(ii) Vendor: Leadfirst; and
(iii) Guarantor: Mr. Ki.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, Leadfirst and its ultimate beneficial owner, Mr. Ki, are not connected persons of the Company and are independent third parties not connected with the directors, chief executive and substantial shareholders of the Company, any of its subsidiaries and their respective associates.

The Acquisition

Pursuant to the S&P Agreement, Dragon Leader has agreed to acquire and Leadfirst has agreed to dispose of the entire issued share capital of Best Winning. Best Winning is a company incorporated in the British Virgin Islands on 2nd March 2005 and is beneficially owned by Leadfirst.

To the best of the knowledge of the Directors, the current principal activity of Leadfirst is investments holding, and it will be principally engaged in the marketing and promotion of the Vessel and the provision of rolling and settlement service for customers of the Casino upon the commencement of operation of the Vessel and the Casino. Leadfirst has been appointed by the sole operator of the Casino as the sole and exclusive service provider for the promotion and introduction of customers to the Vessel and the provision of rolling and settlement service for customers of the Casino under a binding memorandum of understanding. The term of which is for 3 years with an option to renew for another 3 years. Such functions have been subcontracted to Best Winning under the Sub-Marketing Agreement. So far as the Directors are aware, the appointment of Leadfirst as the sole and exclusive service provider for the promotion and introduction of customers to the Vessel and of rolling and settlement service and its term of appointment by the sole operator of the Casino mirrors that of the Sub-Marketing Agreement. Save for the entering into the Sub-Marketing Agreement with Leadfirst, Best Winning has not commenced any significant business operations since its incorporation. The paid-up capital of Best Winning is US\$1.

Information relating to the Vessel

The Vessel was built in 1992 with a carrying capacity of 354 guests. Owing to its unique, twin-hull design, the Vessel provides the most stable ride of any ship at sea. It has been operating as a cruise liner in Caribbean and Mediterranean. The Vessel possesses ocean-view accommodation, dining facilities and functions rooms. Other facilities include the gaming room, private club, spa & beauty salon, fitness center facilities and lounge. The Vessel was accredited as the "World's Best Small Cruise Line" by Travel & Leisure in 2001.

The Vessel is owned by a private company which is owned indirectly as to approximately 12% by Mr. Ki and as to the remaining by various independent third parties. Under certain agreements, the owner of the Vessel leases the Vessel to the operator of the Vessel and the operator of the Vessel leases the Casino to the operator of the Casino. The operator of the Casino appoints Leadfirst as the sole and exclusive service provider for the promotion and introduction of customers to the Vessel and the provision of rolling and settlement service for customers of the Casino. The Directors have confirmed that (i) save as aforesaid, the owners of the Vessel are independent of and not connected with, and do not have any business relationship with, the Company, its directors, chief executive or substantial shareholders and their associates; and (ii) the Company is not entering into contracts or dealing with the owners of the Vessel and the owners of the Vessel play no role in the proposed transactions as stated in this announcement.

To the best of the knowledge of the Directors, the shareholders of the Vessel, the shareholders of the operator of the Vessel and the shareholders of the operator of the Casino are not connected persons of the Company and are independent third parties not connected with the directors, chief executive and substantial shareholders of the Company, any of its subsidiaries and their respective associates. Save that Mr. Ki, being the beneficial shareholder of Leadfirst, owns an approximately 12% interest in the Vessel and an approximately 30% interest in the operator of the Vessel, the other shareholders of the Vessel, the other shareholders of the operator of the Vessel and the shareholders of the operator of the Casino are not related to any party to the proposed transactions as stated in this announcement. Furthermore, save for the above, the Directors do not recognise the relationship among the shareholders of the Vessel, the operator of the Vessel and the operator of the Casino. Neither the Company nor Best Winning were privy to the relevant leasing arrangements of the Vessel and the Casino. To the best of the knowledge of the Directors, the leases in question were entered into between the owner of the Vessel and the operator of the Vessel and between the operator of the Casino and the operator of the Vessel which shall be for a term of three years with an option to renew for another term of three years.

The Company will also enter into the Service Agreement with Mr. Ki upon Completion, pursuant to which Mr. Ki will be engaged as the general manager of the Company for the provision of the foregoing management and consultancy services relating to the promotion and introduction of customers to the Vessel and the Rolling and Settlement Services of the Casino. Details of this agreement are set out under the paragraph headed "Service Agreement" to this announcement.

Sub-Marketing Agreement

Under the Sub-Marketing Agreement, Best Winning is being appointed as the sole and exclusive service provider for the promotion and introduction of customers to the Vessel and the provision of Rolling and Settlement Service for customers of the Casino for a term of three years commencing from the Effective Date. Upon expiry of the three-year term of the Sub-Marketing Agreement, Best Winning shall have the option to renew the term for another three years pursuant to the terms under the Sub-Marketing Agreement provided that the lease for the Casino, the term of which is for 3 years with an option to renew for another 3 years, entered into by the operator of the Casino and the operator of the Vessel shall remain in force. Best Winning will not be involved in the direct operation or management of the Casino and gaming activities on board the Vessel. As at the date of this announcement, the Directors confirm that, save for the services as aforesaid, Best Winning does not intend to engage in any other business activities.

In consideration for the services to be provided by Best Winning, Best Winning shall be entitled to receive (i) the Management Fee; and (ii) 40% of the monthly profit of the Casino (the net win of the Casino after deducting the Management Fee, the rental of the Casino and other expenses of the Casino) (the "Profit-linked Fee"). The rolling turnover of the Casino is based on the management accounts of Best Winning computed on a daily basis, which is verified together with the sole operator of the Casino at the end of each day. The Management Fee is calculated based on the verified rolling turnover. In the event that the Casino records a net deficit in any calendar month, Leadfirst shall not be required to pay any such Profit-linked Fee for that calendar month to Best Winning.

The Sub-Marketing Agreement is terminable by Best Winning by giving nine months' notice in writing to Leadfirst, save for any claim by one party against the other party arising from any breach of the terms in the Sub-Marketing Agreement. Save for the occurrence of the usual events of default (such as the material breach of the Sub-Marketing Agreement by a party or the liquidation of either party thereof), the Sub-Marketing Agreement is terminable prior to

the expiry of the term thereof by Best Winning only. Should the appointment of Leadfirst by the operator of the Casino be terminated or expired without renewal after the three-year term, the Sub-Marketing Agreement will be terminated automatically.

Save for the paid up capital of US\$1, Best Winning does not have any material assets or liabilities.

Consideration

The Consideration, being HK\$600,000,000, was arrived at after arm's length negotiation between the Company and Leadfirst with reference to (i) the amount of the guaranteed annual rolling turnover as detailed in the section headed "Guarantee and undertakings on rolling turnover by Leadfirst" below; and (ii) the prospects of the booming gaming and entertainment industry. The Directors, including the independent non-executive Directors, consider that the terms of the S&P Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The Consideration will be settled as follows:

- a refundable deposit of HK\$20,000,000 (the "Initial Deposit"), which has been paid by Dragon Leader to Leadfirst prior to the signing of the S&P Agreement;
- a further refundable deposit of HK\$20,000,000 (the "Further Deposit") shall be paid to Leadfirst or its nominee by Dragon Leader by way of a banker's draft (or such other manner as the parties may mutually agree) within seven days after the signing of the S&P Agreement; and
- the balance of the Consideration of HK\$560,000,000 shall be paid as to HK\$60,000,000 by a cashier's order to Leadfirst or its nominee on or before Completion, and as to the remaining HK\$500,000,000 by way of the issue of the Convertible Note by the Company to Leadfirst on Completion.

The Initial Deposit and the Further Deposit shall be applied towards payment of part of the Consideration upon Completion. Should the S&P Agreement be terminated or fails to be completed in accordance with its terms and conditions, Leadfirst shall refund and repay Dragon Leader the Initial Deposit and Further Deposit. Under the S&P Agreement, Leadfirst and Mr. Ki will indemnify Dragon Leader for any losses in the event that the appointment of Leadfirst by the operator of the Casino is terminated prior to the term of the Sub-Marketing Agreement.

Guarantee and undertakings on rolling turnover by Leadfirst

Under the S&P Agreement, Leadfirst has agreed to use its best endeavours to procure that the annual rolling turnover (the "Relevant Rolling Turnover") of the Casino for the period of one year commencing from the Commencement Date (or such other date as may be agreed between the parties) (the "Relevant Period") shall be not less than HK\$60,000,000,000. In the event the Relevant Rolling Turnover as shown in the management accounts of Best Winning as at the last day of the Relevant Period shall be less than HK\$60,000,000,000, Leadfirst shall pay to Dragon Leader for the sum calculated in accordance with the following formula under the S&P Agreement (the "Adjustment") (provided that the Adjustment shall not be more than HK\$500,000,000)

Adjustment = A x (1 - B/60,000,000,000) - C

where:

- is the Consideration;
- is the Relevant Rolling Turnover;
- is the Profit-linked Fee actually received by Best Winning for the Relevant Period,

and if the resulting Adjustment shall be a negative figure, Leadfirst shall not be required to pay any Adjustment.

In this regard, Leadfirst has undertaken that, and Mr. Ki shall procure that, at least HK\$500,000,000 face value of the Convertible Note shall not be converted into Shares for the period commencing from the Completion Date up to and including the earlier of (i) the Early Fulfillment Day (as defined hereinafter) or (ii) 21 Business Days after the last day of the Relevant Period. As security for such arrangement, a certificate with face value of HK\$250,000,000 will be held in escrow by the lawyers of Dragon Leader during such period. Nevertheless, in the event that (i) the total rolling turnover for the first six months of the Relevant Period exceeds HK\$30,000,000,000; or (ii) the accumulated total rolling turnover for any period within the Relevant Period reaches HK\$60,000,000,000 or more ("Early Fulfillment Day"), the certificate, in the amount of HK\$250,000,000, which is held in escrow by Dragon Leader's lawyers shall be released to Leadfirst.

In the event of an Adjustment, the Adjustment shall be satisfied by the Noteholder(s) within 21 Business Days after receipt of a written notice issued by Best Winning to Leadfirst and copied to Dragon Leader's solicitors notifying the Adjustment by cancelling the face value of the Escrowed Certificate by the sum equal to the Adjustment. In the event that the face value of the Escrowed Certificate is insufficient to meet the full Adjustment, a sum of such shortfall shall be cancelled and deducted (on a pro-rata basis) from the face value of the then outstanding Convertible Note automatically with effect from the date of the said written notice, and the certificate(s) in respect of the balance of the then outstanding Convertible Note will be re-issued to the relevant Noteholder(s). The Convertible Note contains provision permitting the cancellation of the Convertible Note to cater for the Adjustment and the restriction on the conversion of the Convertible Note as stated in the paragraph above. These provisions will be binding on the Noteholders, whether or not such Noteholder will be Leadfirst at the time when such event of Adjustment occurs. Save as mentioned herein, there is no restriction on transfer but conversion of the Convertible Note before settlement of the Adjustment.

Conditions

The Completion is conditional upon, among other things, the following conditions being fulfilled, remaining fulfilled or waived by Dragon Leader as at the Completion Date:

- the Shares remaining listed and traded on the Stock Exchange at all times from the date of the S&P Agreement and on the Completion Date, save for (i) suspension of less than 20 consecutive Business Days or (ii) the suspension (other than on the Completion Date) on account of clearance of any announcement in respect of any of the transactions contemplated under the S&P Agreement;
- the Sub-Marketing Agreement becoming effective, and remaining valid and enforceable;
- Dragon Leader obtaining such legal opinions as it may in its absolute discretion require on, among others, the legality of Best Winning performing under the Sub-Marketing Agreement;
- all licences, consents, approvals (including listing approvals), authorisations, permissions, waivers, orders or exemptions of the Shareholders, the Stock Exchange and the Securities and Futures Commission (if necessary) in connection with the transactions contemplated in the S&P Agreement (including the entering into of the Service Agreement and the transaction contemplated thereby, the issue of the Convertible Note and the grant of the BK Share Option, and the allotment and issue of Shares pursuant to the exercise of the conversion rights under the Convertible Note and the exercise the BK Share Option) having been obtained;
- Leadfirst's warranties given in the S&P Agreement remaining true and accurate in all material respects;
- the Stock Exchange not having notified Dragon Leader or the Company that the Company shall be treated as a

new applicant for listing or that listing of the Company’s securities on the Stock Exchange shall or may be cancelled (or conditions will or may be attached thereto), or the transactions contemplated in the S&P Agreement may constitute a reverse takeover (as defined in the Listing Rules), as a result of completion of the Acquisition or in connection with the terms of or any transaction contemplated in the S&P Agreement (including, but not limited to, in connection with an allegation that the Company is no longer suitable for listing); and

- (g) Dragon Leader undertaking and completing a due diligence investigation in respect of Best Winning (including but not limited to the affairs, business, assets legality of all business and commercial activities conducted on board the Vessel, encumbrances against the Vessel and any other due diligence relevant to the sale and purchase of the share of Best Winning and the performance under the Sub-Marketing Agreement) liabilities, operations, records, financial position, value of assets, accounts, results, legal and financing structure of Best Winning and Dragon Leader being satisfied in its absolute discretion with the results of such due diligence investigation.

If the conditions of the S&P Agreement are not fulfilled, or waived in whole or in part by Dragon Leader in writing, in its absolute discretion (save for conditions (d) and (f) above which are not waivable) by no later than 5:00 p.m. on 31st December 2005, then all liabilities of the parties thereto will cease and determine and no party will have any claim against the others (except in respect of any antecedent breaches and any matters or things arising out of or in connection with the S&P Agreement).

Under the S&P Agreement, Leadfirst has warranted that it was appointed by the sole operator of the Casino as the sole and exclusive service provider for the promotion and introduction of customers to the Vessel and the provision of rolling and settlement service for customers of the Casino for a term of three years from the date on which the acquisition of the Vessel from its existing owner is completed. Such appointment shall, at Completion, have become effective, and remain valid and enforceable. Leadfirst has also warranted that it has full power to enter into the Sub-Marketing Agreement and to exercise its rights and perform its obligations thereunder. The Directors have advised that a due diligence review will be conducted and the document in relation to the appointment of Leadfirst will be reviewed by the Company to ensure the capacity of Leadfirst.

Completion

Completion shall take place on 1st August 2005 or the fifth Business Day after the date of receipt of written notice from Best Winning to Dragon Leader stating that the full operation of the Casino will commence within one month thereafter, whichever is the later, but subject to the fulfilment (or waiver) of the conditions above on or before that date.

Principal Terms of the Convertible Note

Amount: HK\$500,000,000

Interest: 4% per annum

Conversion Price: HK\$0.50 per Share, subject to adjustment.

The Conversion Price is subject to adjustment provisions which are standard terms for convertible securities of similar nature. The adjustment events will arise as a result of certain change in the share capital of the Company including consolidation or sub-division of Shares, capitalisation of profits or reserves, capital distributions in cash or specie or subsequent issue of securities in the Company.

Maturity Date: On the tenth anniversary of the date of the Convertible Note

Transferability: The Noteholder may transfer or assign the Convertible Note subject to the consent of the Company, except in respect of a transfer to wholly owned subsidiaries or holding companies of the Noteholder. The Board will decide whether such consent will be given at the relevant time depending on the identity of the transferee.

Conversion: Subject to certain restrictions, at any time during the period commencing from the Commencement Date to the maturity date as mentioned above, the whole or any part of the principal amount of the Convertible Note in the amount of HK\$5,000,000 or the multiples thereof may be converted into Shares at the Conversion Price and if any time, the principal outstanding amount of each Convertible Note shall be less than HK\$5,000,000, the whole (but not part only) of the principal amount of each Convertible Note may be converted provided that the Company shall not issue any Shares if upon such issue, Leadfirst and Mr. Ki and the parties acting in concert with them, shall be interested in 30% of the voting rights (or such amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the then issued share capital of the Company at the date of the relevant exercise.

Assuming there is an immediate exercise in full of the conversion rights attaching to the Convertible Notes in aggregate of HK\$500,000,000 at the Conversion Price by the holder of the Convertible Notes, the Company will issue an aggregate of 1,000,000,000 new Shares, representing approximately 21.04% of existing issued share capital of the Company, and approximately 17.39% of the enlarged issued share capital of the Company (before the exercise of any BK Share Option). The Conversion Shares will be issued pursuant to the passing of the relevant resolution at the SGM. The market value of the total Conversion Shares will be in aggregate of HK\$350 million based on the closing price of HK\$0.35 per Share on 23rd March 2005, being the Last Trading Day.

Ranking: The Conversion Shares will rank pari passu in all respects with all the existing Shares in issue at the date of the conversion of the Convertible Note.

Redemption: Prior to the maturity of the Convertible Note, the Noteholder shall not have the right to require the Company to redeem the whole or part of the outstanding principal amount of the Convertible Note.

Unless notice for conversion shall have been previously given by the Noteholder to the Company, the Company shall have the right to redeem (in amount of not less not a whole multiple of HK\$5,000,000) the whole or part of the outstanding principal amount of the Convertible Note (other than the part of the principal amount of the Convertible Note which the notice of conversion relates) by giving the Noteholder not less than 7 days’ prior notice to make such redemption at any time prior to the maturity of the Convertible Note. The Company will have to pay an amount equal to 100% of the outstanding amount of the Convertible Note to be redeemed together with the interest accrued thereon up to and including the date on which payment of such principal amount of the redeemed Convertible Note and the interest accrued thereon have been paid by the Company in full.

Cancellation and restriction The Convertible Note contains provision permitting the cancellation of the Convertible Note to cater for the Adjustment and the restriction on the conversion of the Convertible Note as stated in the paragraph headed “Guarantee and undertakings on rolling turnover by Leadfirst” above.

Voting: Noteholders shall not be entitled to attend or vote at any meetings of the Company by reason only of it being the Noteholder.

Listing: No application will be made for the listing of the Convertible Note on the Stock Exchange or any other stock exchange. An application will be made for the listing of the Shares to be issued on exercise of the conversion rights attaching to the Convertible Note.

The Shares falling to be allotted and issued upon the conversion of the Convertible Note will be issued under a specific mandate and the approval of such mandate will be sought from the Shareholders in the SGM.

The Conversion Price was arrived at after arm’s length negotiation between Leadfirst and the Company. The Conversion Price represents:

- (i) a premium of approximately 42.9% to the closing price of HK\$0.35 per Share quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 42.0% to the average closing price of approximately HK\$0.352 per Share quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day; and
- (iii) a premium of approximately 43.3% to the average closing price of approximately HK\$0.349 per Share quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day.

SERVICE AGREEMENT

Under the S&P Agreement, Mr. Ki will enter into the Service Agreement with the Company upon Completion. Under the Service Agreement, Mr. Ki will be engaged as the general manager of the Company for the provision of, in particular but without prejudice to the generality of the foregoing management and consultancy services relating to the promotion and introduction of customers to the Vessel, Rolling and Settlement Services of the Casino (including their calculation) and all other matters related and/or incidental thereto.

The Service Agreement will commence from the Effective Date and will have a term of three years which is renewable for another three years thereafter, unless and until terminated in accordance with the terms thereof. The Company will ensure the compliance with all applicable requirements under the Listing Rules before such renewal.

Remuneration

In consideration of entering into the Service Agreement and the services to be rendered thereunder, the Company shall:

- (i) grant Mr. Ki the BK Share Option, subject to the approval of the Shareholders at the SGM, upon signing of the Service Agreement; and
- (ii) pay Mr. Ki a monthly salary of HK\$10,000 for a term of one-year from the date of the Service Agreement (subject to such increase as the Company may determine from time to time at its absolute discretion to a maximum of HK\$100,000 per month); and
- (iii) starting from the date next following the first anniversary of the date of the Service Agreement and for every year of services by Mr. Ki thereafter (“Service Year”), the monthly salary payable to Mr. Ki shall be equal to the higher of (a) HK\$10,000; or (b) one-twelfths of 5% of the net profit of the Group (after taxation and the payment such salary but before extraordinary items) for the immediately preceding Service Year.

The BK Share Option, which is exercisable for a period of 5 years commencing from the Completion Date, to be granted by the Company to Mr. Ki to subscribe for 500,000,000 Shares (the “Option Shares”), which represent approximately 10.52% of the existing issued Share capital of the Company as at the date of this announcement (subject to adjustment) at an exercise price of HK\$0.25 per Share (the “Option Price”) which is made by reference to the current market price of the Shares. The Option Price represents a discount of approximately 28.6% to the closing

price of HK\$0.35 per Share quoted on the Stock Exchange on the Last Trading Day. Exercise of the BK Share Option (if in parts) shall be in minimum amounts of 10,000,000 Option Shares each time. The number of Shares subject to any BK Share Option so far as such BK Share Option or any part thereof remains unexercised and/or the Option Price is subject to adjustment provisions which are standard terms for options of similar nature. The adjustment events will arise whilst any BK Share Option remains exercisable as a result of alteration in the capital structure of the Company by way of capitalisation of profits or reserves, rights issue or other offer of securities to holders of Shares (including any securities convertible into share capital or warrants or options to subscribe for any share capital of the Company), consolidation, sub-division or reduction of the share capital of the Company, which in the opinion of the auditors of the Company shall be fair and reasonable. The BK Share Option is non-transferrable. Upon the expiry of the period of the BK Share Option or the termination of the Service Agreement whichever is earlier, the BK Share Option shall lapse to the extent not exercised and no compensation will be provided to Mr. Ki. The Directors confirm that they will ensure the compliance of the BK Share Option with Chapter 15 of the Listing Rules from time to time. The Shares issued upon the exercise of the BK Share Option will rank pari passu in all respects with all the existing Shares in issue. No application will be made for the listing of the BK Share Option on the Stock Exchange or any other stock exchange.

The Service Agreement is terminable, subject to the terms therein, by either party by giving the other party not less than 90 days prior written notice, although that Mr. Ki is not entitled to terminate such agreement within the first twelve months of the Service Agreement. Any unexercised BK Share Option shall automatically and immediately lapse upon such termination.

If the exercise of the BK Share Option and the allotment and issue of any Share pursuant thereto will result in Mr. Ki and his parties acting in concert with him in 30% of the voting rights (or such amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the issued share capital of the Company, the Company shall not be obliged to allot and issue any Share to Mr. Ki pursuant to such exercise of the BK Share Option.

Furthermore, subject to Completion taking place, the Company will have a first right of refusal on any future gaming and entertainment projects identified by/offered to/or be involved with by Mr. Ki (i) as long as Mr. Ki remains as the general manager of the Company or (ii) six years from the date of the S&P Agreement, whichever is later.

The Shares falling to be allotted and issued upon the exercise of the BK Share Option will be allotted and issued under a specific mandate and the approval of such mandate will also be sought from the Shareholders in the SGM.

Upon the commencement of the provision of the Rolling and Settlement Service, Mr. Ki, who has been in the gaming business for over 15 years, will at all times contribute his expertise and knowledge, in particular, to those relating to anti-money laundering measures with a view to formulate the relevant internal control system and risk management measures to counter and prevent any potential money laundering activities or other crimes that are related to the Rolling and Settlement Service. The Company will also use its best endeavours to procure that effective internal control systems and risk management measures will be in place to avoid any money laundering activities being carried out on the Rolling and Settlement Service for customers of the Casino.

CHANGES IN SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, there were no outstanding options, warrants or securities convertible or exchangeable into Shares other than the following:

- (i) 190,000,000 Options carrying rights to subscription for 190,000,000 Shares at an exercise price of HK\$0.26 per Share which are granted under the share option scheme of the Company;
- (ii) 275,700,000 Options carrying rights to subscription for 275,700,000 Shares at an exercise price of HK\$0.194 per Share which are granted under the share option scheme of the Company;
- (iii) 950,400,000 warrants issued pursuant to the Warrant Instrument carrying rights to subscribe for Shares at an initial subscription price of HK\$0.36 per Share during the period from 17th June 2002 up to and including 16th June 2005; and
- (iv) outstanding 2002 Convertible Note in the principal amount of HK\$33,800,000 carrying rights to subscribe for Shares at an exercise price of HK\$0.40 per Share at any time on or before 19th April 2005. Exercise in full of the subscription rights attaching to such convertible notes will result in the Company allotting and issuing 84,500,000 Shares.

Based on the Convertible Note in the principal amount of HK\$500,000,000, the Conversion Price, the BK Share Option and 4,752,000,000 Shares in issue as at the date of this announcement and assuming Leadfirst and Mr. Ki will not acquire any Shares from the open market, the respective shareholdings of the substantial Shareholders will be as follows:

Shareholders	Prior to the conversion of the Convertible Note and the exercise of the BK Share Option		After the full conversion of the Convertible Note only		After the exercise of the BK Share Option only		After the full conversion of the Convertible Note and the exercise of the BK Share Option	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Classical Statue Limited	2,022,530,000	42.56	2,022,530,000	35.16	2,022,530,000	38.51	2,022,530,000	32.35
Top Vision Management Limited	792,000,000	16.67	792,000,000	13.77	792,000,000	15.08	792,000,000	12.67
Lucky Star Consultants Limited	354,000,000	7.45	354,000,000	6.15	354,000,000	6.74	354,000,000	5.66
Leadfirst and parties acting in concert with it	—	—	1,000,000,000	17.39	—	—	1,000,000,000	15.99
Mr. Ki	—	—	—	—	500,000,000	9.52	500,000,000	8.00
Public Shareholders	<u>1,583,470,000</u>	<u>33.32</u>	<u>1,583,470,000</u>	<u>27.53</u>	<u>1,583,470,000</u>	<u>30.15</u>	<u>1,583,470,000</u>	<u>25.33</u>
Total	<u>4,752,000,000</u>	<u>100.00</u>	<u>5,752,000,000</u>	<u>100.00</u>	<u>5,252,000,000</u>	<u>100.00</u>	<u>6,252,000,000</u>	<u>100.00</u>

Note: Under the respective terms of the Convertible Note and the BK Share Option, the Company shall not be required to issue any Shares upon the exercise of the conversion rights under the Convertible Note or, as the case may be, the exercise of the BK Share Option if, upon such issue, Leadfirst and Mr. Ki and parties acting in concert with them, shall be interested in 30% of the voting rights (or such amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the then enlarged issued share capital of the Company at the date of the relevant exercise. Based on the Convertible Note in the principal amount of HK\$500,000,000, the Conversion Price, the BK Share Option and 4,752,000,000 Shares in issue as at the date of this announcement and assuming Leadfirst and Mr. Ki will not acquire any Shares from the open market, the conversion of the Convertible Note and the exercise of the BK Share Option shall not result in a change in control (as defined in the Takeovers Code) of the Company. Immediately following the full conversion of the Convertible Note and the exercise of the BK Share Option, Mr. Ki will be directly and indirectly interested in 23.99% of the issued Shares of the Company (including the interest held via Leadfirst). Should the conversion of the Convertible Note or the exercise of the BK Share Option and the allotment and issue of any Share pursuant thereto will result in Mr. Ki and parties acting in concert with him in 30% of the voting rights or more of the issued share capital of the Company, the Company shall not be obliged to allot and issue any Share to Mr. Ki pursuant to the exercise of the BK Share Option. Mr. Ki may only exercise his BK Share Option after disposing of part of his Shares.

REASONS AND BENEFITS FOR THE ACQUISITION

The principal activity of the Company is investment holding. The principal subsidiaries of the Company are principally engaged in the distribution of films, sub-licensing of film rights and sale of advertising rights or otherwise related to the entertainment industry.

The Board has been proactively identifying suitable investment opportunities to develop the Group’s business. Given the prospects of the gaming industry, the Board is considering in investing in Macau and other places or in the gaming/entertainment business. The Acquisition matches the business development strategy of the Group in diversifying its businesses. By investing in Best Winning, the Group’s revenue base could be strengthened which would have a positive impact on the Group’s earning potential.

Best Winning will become a wholly-owned subsidiary of the Group and its accounts will be consolidated into the accounts of the Group.

IMPLICATION OF THE LAWS OF HONG KONG AND THE LISTING RULES AND RELEVANT LAWS IN OTHER JURISDICTION

The operation of the casino activities on the Vessel will take place in the high seas in Asia near but outside Hong Kong, which are beyond the legal restrictions of Hong Kong or any other countries. The Board considers that none of the S&P Agreement or the operation of casino activities on the Vessel to be carried out in the high seas will constitute unlawful activities under the laws of Hong Kong, including the Gambling Ordinance (Chapter 148 of the Laws of Hong Kong). The Company will use its reasonable endeavour to ensure that throughout the holding of its investment in Best Winning and the operation of Best Winning will comply with the applicable laws in the relevant jurisdiction. Opinion from counsel has been obtained by the Company opining that the transactions contemplated by the Company pursuant to the S&P Agreement do not contravene the Gambling Ordinance of Hong Kong.

Shareholders are reminded that, in accordance with the Stock Exchange’s guidelines in relation to “Gambling Activities Undertaken by Listing Applicants and/or Listed Issuers”, should the Company be in breach of any laws or regulations of Hong Kong, the Stock Exchange may, depending on the circumstances of the case, direct the Company to take remedial action, and/or may suspend dealings in, or may cancel the listing of, Shares under Rule 6.01 of the Listing Rules. If the Company cannot take the requisite remedial action in the circumstance aforementioned, it is the Company’s intention to maintain active trading and listing status of the Shares through the Group’s existing business and divests its investment in Best Winning in accordance with applicable laws and regulations.

GENERAL

As the Consideration represents more than 25% but less than 100% under the applicable percentage ratios under Chapter 14 of the Listing Rules, the Acquisition constitutes a major transaction for the Company under the Listing Rules and will be subject to the approval of the Shareholders at the SGM. Since no Shareholder has any material interests in the Acquisition, no shareholder is required to abstain from voting in respect of the proposed resolution to approve the Acquisition.

A circular containing, among others, further details of the Acquisition and the issue of the Convertible Note, the grant of the BK Share Option and a notice of the SGM will be despatched by the Company to the Shareholders as soon as practicable in accordance with the Listing Rules.

The publication of this announcement is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for Shares.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 24th March 2005 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 18th April 2005.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“2002 Convertible Note”	the convertible note in an aggregate principal amount of HK\$33,800,000 dated 5th February 2002 as referred to in the circular of the Company dated 13th March 2002
“Acquisition”	the acquisition of the entire issued share capital of Best Winning pursuant to the S&P Agreement
“associate”	has the meaning as ascribed to it under the Listing Rules
“Best Winning”	Best Winning Group Limited, a company incorporated in the British Virgin Islands and is beneficially owned by Leadfirst
“BK Share Option”	the share option, which is exercisable for a period of 5 years commencing from the Completion Date, to be granted by the Company to Mr. Ki to subscribe for 500,000,000 Shares (subject to adjustment) at an exercise price of HK\$0.25 per Share
“Board”	board of Directors
“Business Day”	a day (other than a Saturday or days on which a typhoon signal 8 or above or black rainstorm signal is hoisted in Hong Kong at 10:00 a.m.) on which banks in Hong Kong are generally open for business
“Casino”	the casino and gaming establishment on board the Vessel
“Commencement Date”	the actual date of the full operation of the Casino, which is expected to be on or about 15th August 2005
“Company”	Riche Multi-Media Holdings Limited, a company incorporated in Bermuda, the Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the S&P Agreement
“Completion Date”	on 1st August 2005 or the fifth Business Day after the date of receipt of written notice from Best Winning to Dragon Leader stating that the full operation of the Casino will commence within one month thereafter, whichever is the later, but subject always to the fulfilment (or waiver) of the conditions set out under the S&P Agreement on or before that date
“Consideration”	the consideration payable by Dragon Leader for the Acquisition pursuant to the S&P Agreement, being HK\$600,000,000
“Convertible Note”	the 4% per annum convertible note in the aggregate principal amount of HK\$500,000,000 to be issued by the Company upon Completion as part of the Consideration
“Conversion Price”	HK\$0.50 per Share
“Conversion Shares”	the Shares to be issued by the Company under the Convertible Note upon exercise of the conversion rights or otherwise pursuant to the terms of the Convertible Note
“Directors”	the directors of the Company
“Dragon Leader”	Dragon Leader Limited, a company incorporated in the British Virgin Islands and is wholly-owned by the Company
“Effective Date”	the effective date of the Sub-Marketing Agreement, being the date on which the appointment of Leadfirst by the operator of the Casino as the sole and exclusive service provider for the promotion and introduction of customers to the Vessel and the provision of rolling and settlement services for the customers of the Casino becoming effective, being the date of completion of the acquisition of the Vessel as referred to under the paragraph headed “Information of the Vessel” in this announcement
“Escrowed Certificate”	the certificate evidencing title to HK\$250,000,000 of the Convertible Note escrowed with Dragon Leader’s solicitors
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Last Trading Day”	24th March 2005, being the last trading day of the Shares on the main board of the Stock Exchange immediately prior to the date of this announcement
“Leadfirst”	Leadfirst Limited, a company incorporated in the British Virgin Islands and is wholly-owned by Mr. Ki
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the People’s Republic of China
“Management Fee”	a monthly management fee calculated at 1.7% of the total rolling turnover of the Casino based on the records of Best Winning and to be received by it under the Sub-Marketing Agreement
“Mr. Ki”	Mr. Benny Ki, an independent third party who is not a connected person (as defined under the Listing Rules) of the Company
“Noteholder(s)”	the person(s) who is/are for the time being the registered holder(s) of the Convertible Note(s)
“Options”	the options granted under the share option scheme adopted by the Company on 21st January 2002 to subscribe for Shares in accordance with the terms therein
“PRC”	The People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, Macau and Taiwan
“Rolling and Settlement Service”	the provision of services involving the exchanging of non-negotiable gambling chips of the customers of the Casino with Leadfirst where no money in any form is settled by Best Winning in its own capacity and provided always that such non-negotiable gambling chips are given to the customers against (i) production of a bank-in slip demonstrating equivalent amount of money having been deposited in the designated accounts of Leadfirst; or (ii) cash payment of equivalent sum having been received by Best Winning for and on behalf of Leadfirst; or (iii) cash gambling chips of equivalent sum having been received by Best Winning for and on behalf of Leadfirst
“Service Agreement”	the service agreement to be entered into between the Company and Mr. Ki upon Completion
“SGM”	the special general meeting of the Company to consider and approve, among other matters, the transactions contemplated in the S&P Agreement, the issue of the Convertible Note and the grant of the BK Share Option to Mr. Ki and the allotment and issue of the Shares pursuant to the exercise of the conversion right under the Convertible Note and the exercise of the BK Share Option
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sub-Marketing Agreement”	the agreement to be entered into between Leadfirst and Best Winning under which Leadfirst has appointed Best Winning as its sole and exclusive service provider for the promotion and introduction of customers to the Vessel and the provision of Rolling and Settlement Service for the customers of the Casino
“S&P Agreement”	a conditional sale and purchase agreement entered into between Dragon Leader, Leadfirst and Mr. Ki dated 9th April 2005 in respect of the Acquisition
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Vessel”	a passenger vessel named Radisson Diamond (to be renamed as Asia Star), with casino, gaming and other facilities
“Warrant Instrument”	the instrument relating to warrants of the Company to subscribe for Shares in an aggregate amount of HK\$342,144,000 dated 17th June 2002 as referred to in the circular of the Company dated 4th May 2002
“%”	per cent.

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

Hong Kong, 15th April 2005

As at the date of this announcement the executive directors of the Company are Mr. Heung Wah Keung, Ms. Chen Ming Yin, Tiffany and Mr. Lei Hong Wai and the independent non-executive directors of the Company are Mr. Lien Wai Hung, Mr. Tang Chak Lam, Gilbert and Mr. Ho Wai Chi, Paul.