RICHE MULTI-MEDIA HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2003

FINAL RESULTS

The board of directors (the "Board") of Riche Multi-Media Holdings Limited (the "Company") is pleased to present the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st December 2003 together with the comparative figures for 2002 as follows:

Audited Consolidated Income Statement
For the year ended 31st December 2003

	Notes	**2003** ***HK$'000***	2002 *HK$'000*
Turnover	2	**206,996**	89,443
Cost of sales		**(61,180)**	(39,608)
Gross profit		**145,816**	49,835
Other operating income	4	**1,849**	1,218
Administrative expenses		**(29,604)**	(28,738)
Selling expenses		**(166)**	(272)
Impairment loss recognised in respect of film rights		**(1,462)**	(7,579)
Impairment loss recognised in respect of other asset		**—**	(25,087)
Loss on disposal of property, plant and equipment		**(4)**	(14,508)
Profit (loss) from operations	5	**116,429**	(25,131)
Finance costs	6	**(340)**	(240)
Loss on disposal of a subsidiary		**—**	(1,100)
Profit (loss) before taxation		**116,089**	(26,471)
Taxation credit	7	**1,040**	1,186
Net profit (loss) for the year attributable to shareholders		**117,129**	(25,285)
Earnings (loss) per share	8		
Basic		**HK24.65 cents**	HK(5.32) cents
Diluted		**HK24.14 cents**	HK(5.32) cents

Notes:

1. **Adoption of Hong Kong Financial Reporting Standards**

In the current year, the Group has adopted, for the first time, the following Hong Kong Financial Reporting Standard ("HKFRS") issued by the Hong Kong Society of Accountants ("HKSA"). The term HKFRS is inclusive of Statements of Standard Accounting Practice ("SSAP(s)") and Interpretations approved by the HKSA:

SSAP 12 (Revised): Income Taxes

In the current year, the Group has adopted SSAP 12 (Revised) "Income Taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. The adoption of this SSAP has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior year adjustment has been required.

2. **Turnover**

	2003 ***HK$'000***	2002 *HK$'000*
Distribution of films	**163,722**	34,320
Sub-licensing of film rights	**38,006**	43,523
Sale of advertising rights	**5,268**	11,600
	206,996	89,443

3. **Segment Information**

Business segments

For management purposes, the Group is currently organised into three operating divisions, namely distribution, sub-licensing and sale of advertising rights. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Distribution	Distribution of films
Sub-licensing	Sub-licensing of film rights
Sale of advertising rights	Sale of advertising rights for advertisements placing on video products and videos

Segment information about these businesses for the years ended 31st December 2003 and 2002 is presented below.

Consolidated income statement for the year ended 31st December 2003

	Distribution ***HK$'000***	**Sub-licensing** ***HK$'000***	**Sale of advertising rights** ***HK$'000***	**Consolidated** ***HK$'000***
Turnover	**163,722**	**38,006**	**5,268**	**206,996**
Segment profit before amortisation of other asset, impairment loss recognised in respect of film rights and loss on disposal of property, plant and equipment	**118,081**	**12,310**	**3,126**	**133,517**
Amortisation of other asset	**—**	**(6,644)**	**—**	**(6,644)**
Impairment loss recognised in respect of film rights	**(62)**	**(1,400)**	**—**	**(1,462)**
Loss on disposal of property, plant and equipment	**(4)**	**—**	**—**	**(4)**
Segment profit	**118,015**	**4,266**	**3,126**	**125,407**
Unallocated corporate income				**1,849**
Unallocated corporate expenses				**(10,827)**
Profit from operations				**116,429**
Finance costs				**(340)**
Profit before taxation				**116,089**
Taxation credit				**1,040**
Net profit for the year				**117,129**

Consolidated income statement for the year ended 31st December 2002

	Distribution *HK$'000*	Sub-licensing *HK$'000*	Sale of advertising rights *HK$'000*	Consolidated *HK$'000*
Turnover	34,320	43,523	11,600	89,443
Segment profit before amortisation of other asset, impairment loss recognised in respect of film rights and other asset, and loss on disposal of property, plant and equipment	9,696	18,851	9,332	37,879
Amortisation of other asset	—	(9,520)	—	(9,520)
Impairment loss recognised in respect of film rights	(4,465)	(3,114)	—	(7,579)
Impairment loss recognised in respect of other asset	—	(25,087)	—	(25,087)
Loss on disposal of property, plant and equipment	(13,574)	—	—	(13,574)
Segment (loss) profit	(8,343)	(18,870)	9,332	(17,881)
Unallocated corporate income				1,218
Unallocated corporate expenses				(7,534)
Loss on disposal of property, plant and equipment-unallocated				(934)
Loss from operations				(25,131)
Finance costs				(240)
Loss on disposal of a subsidiary				(1,100)
Loss before taxation				(26,471)
Taxation credit				1,186
Net loss for the year				(25,285)

Geographical segments

The following table provides an analysis of the Group's sales by location of markets:

	2003 ***HK$'000***	2002 *HK$'000*
The People's Republic of China excluding Hong Kong, Macau and Taiwan	**203,883**	75,068
Hong Kong and Macau	**3,113**	14,375
	206,996	89,443

4. **Other operating income**

	2003 ***HK$'000***	2002 *HK$'000*
Interest income on bank deposits	**55**	78
Interest income on convertible notes	**1,600**	1,135
Sundry income	**194**	5
	1,849	1,218

5. **Profit (loss) from operations**

	2003 ***HK$'000***	2002 *HK$'000*
Profit (loss) from operations has been arrived at after charging:		
Allowance for bad and doubtful debts (included in administrative expenses)	**88**	1,044
Allowance for inventory obsolescence (included in cost of sales)	**487**	1,757
Amortisation of film rights (included in cost of sales)	**57,818**	34,657
Amortisation of goodwill (included in administrative expenses)	**3,105**	—
Amortisation of other asset (included in administrative expenses)	**6,644**	9,520
Auditors' remuneration	**700**	723
Cost of inventories sold (included in cost of sales)	**4,912**	3,197
Depreciation of property, plant and equipment:		
— owned assets	**1,303**	2,222
— leased assets	**13**	16
	1,316	2,238
Operating leases rental in respect of rented premises	**1,300**	815
Staff costs including directors' emoluments:		
— salaries, allowances and benefits in kind	**8,310**	6,373
— contributions to retirement benefits scheme	**152**	177
	8,462	6,550

6. **Finance costs**

	2003 ***HK$'000***	2002 *HK$'000*
Interest on borrowings wholly repayable within five years:		
— convertible notes payable	**338**	238
— a finance lease	**2**	2
	340	240

7. **Taxation credit**

	2003 ***HK$'000***	2002 *HK$'000*
The taxation (charge) credit are as follows:		
Hong Kong Profits Tax		
— current year	**(283)**	—
— underprovision in prior years	**(164)**	—
	(447)	—
Transfer from deferred taxation	**1,487**	1,186
Taxation credit attributable to the Group	**1,040**	1,186

Hong Kong Profits Tax for the year is calculated at 17.5% on the estimated assessable profit for the year. No provision for Hong Kong Profits Tax was made in prior year as the Group either had no estimated assessable profits or its estimated assessable profits were wholly absorbed by estimated tax losses brought forward.

The taxation credit for the year can be reconciled to the profit (loss) per the consolidated income statement as follows:

	2003 ***HK$'000***	2002 *HK$'000*
Profit (loss) before taxation	**116,089**	(26,471)
Taxation at income tax rate of 17.5% (2002: 16%)	**20,316**	(4,235)
Tax effect of income that is not taxable in determining taxable profit	**(23,641)**	(3,816)
Tax effect of expenses that are not deductible in determining taxable profit	**444**	5,523
Underprovision in respect of prior years	**164**	—
Tax effect of estimated tax losses for which deferred tax assets have not been recognised	**1,538**	1,342
Increase in opening deferred tax liabilities resulting from an increase in Hong Kong Profits Tax rate	**139**	—
Taxation credit for the year	**(1,040)**	(1,186)

8. **Earnings (loss) per share**

The calculation of the basic and diluted earnings (loss) per share is based on the following data:

	2003 HK$'000	2002 HK$'000
Earnings (loss) for the purposes of basic earnings (loss) per share - net profit (loss) for the year	**117,129**	(25,285)
Effect of dilutive potential ordinary shares:		
Interest on convertible notes payable	**338**	—
Earnings (loss) for the purposes of diluted earnings (loss) per share	**117,467**	(25,285)
	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share	**475,200**	475,200
Effect of dilutive potential ordinary shares:		
Share options	**2,972**	—
Convertible notes payable	**8,450**	—
Weighted average number of ordinary share for the purposes of diluted earnings (loss) per share	**486,622**	475,200

The computation of diluted earnings per share for the year did not assume the exercise of the Company's warrants as the exercise price of these warrants was higher than the average market price for shares.

The computation of diluted loss per share for the year ended 31st December 2002 did not assume the exercise of the Company's warrants, convertible notes payable and share options because the effect of exercising a warrant, a convertible note payable and an option to subscribe for an additional share in the Company would result in a decrease of net loss per share.

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31st December 2003 (2002: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

For the year ended 31st December 2003, the Group recorded a turnover of HK$206,996,000, a 131% increase from HK$89,443,000 for the previous year. The net profit attributable to shareholder for the year was HK$117,129,000, whereas the Group recorded a net loss of HK$25,285,000 for the previous year.

Such significant turnaround in the overall performance was due to the Group's efforts to diversify its earnings base in terms of activity and shifting its geographical focus to the Mainland China market in the last two and a half year.

Business Review

The Group's three core businesses, namely, distribution of films, sub-licensing of film rights and sale of advertising rights accounted for 79%, 18% and 3% of the Group's total turnover for the year ended 31st December 2003, respectively.

Turnover derived from the People's Republic of China (the "PRC") and Hong Kong & Macau for the year ended 31st December 2003 accounted for 98% and 2% of the Group's total turnover respectively.

Distribution of films

The turnover of distribution of films for the year increased significantly by 377% to HK$163,722,000 (2002: HK$34,320,000). During the year under review, the Group distributed 339 films in video format (2002: 41 films). The Group saw an increase in the average distribution income per new film. It was mainly resulted from the well received of the Group's films and the strong demand on home entertainment audio-visual products in the PRC. The improvement in the Group's gross profit margin was also attributed to the sale of video rights in respect of two lots of old films to the PRC distributors as the cost of which had already been fully amortised in previous years.

In order to reduce its reliance on the distribution networks of the PRC video distributors and to respond swiftly to market needs, the Group acquired Legend Rich Limited ("Legend Rich") in January 2003. Through Legend Rich's PRC sub-distributor, 天津市星匯音像制品銷售有限公司 ("Tianjin Xinghui"), the Group's video products are sold in 27 stores operated by Carrefour and are situated in 24 cities in the PRC. Additionally, the Group's video products are sold in other local and international supermarket chain stores in the PRC.

With its established distribution network in the PRC, the Group will continue to acquire distribution rights to a different variety of quality films. The Group will also be looking for various ways to further expand its distribution network.

Sub-licensing of film rights

The turnover of sub-licensing of film rights for the year decreased by 13% to HK$38,006,000 (2002: HK$43,523,000). The decrease was mainly attributed to a decrease in turnover from the sub-licensing of film rights for hotel and intranet use in the PRC from 200 in the year ended 31st December 2002 to 100 in the year ended 31st December 2003.

During the year, the Group sub-licensed the hotel and intranet rights in respect of 100 films (2002: 200 films) to its associated company, Gainful Fortune Limited ("Gainful Fortune"). As the business of Gainful Fortune is still at development stage, no contribution had been made to the Group by Gainful Fortune in 2003.

In order to strengthen the Group's distribution network for 35-mm films, the Group acquired World East Investments Limited ("World East"). Through World East's PRC agent, 上海昇平文化發展有限公司 ("Shanghai Shengping"), the Group has established business relationship with some PRC film distributors for the release of the Group's films in cinemas in the PRC. This enables the Group to increase the number of cinemas that will exhibit its films in the PRC.

Subsequent to the year-end, the Group has established a sub-licensing arrangement with a PRC sub-licensee for broadcasting the Group's films in the provincial terrestrial free television stations in the PRC. Pursuant to the arrangement, the Group's films are sub-licensed to the PRC sub-licensee for broadcasting in the provincial terrestrial free television stations on every weekend under a prime-time program called "Riche's Asia Theatre". The Group sub-licensed the television rights in respect of 9 films to the PRC sub-licensee in the first two months of 2004. The first film began airing in January 2004 on 21 provincial terrestrial free television stations in the PRC. According to the studies carried out by the PRC sub-licensee, the Group's films are well received by the PRC viewers and the viewers' number is inching its way up.

With its content rich film library, the Group will actively explore new distribution media for its films in the PRC, such as other television networks and transportation, i.e. airline, ships and buses, in order to create additional revenue stream for the Group.

Sale of advertising rights

The turnover of sale of advertising rights for the year decreased by 55% to HK$5,268,000 (2002: HK$11,600,000). During the year under review, the Group sold the advertising rights of 13 films as compared to 29 films in 2002. The decrease was mainly attributed to the postponement of advertisement placements by the PRC advertising agencies during the outbreak of Severe Atypical Respiratory Syndrome.

According to a recent industry research conducted by CTR and adamGo, the advertising spending on television and print media in the PRC amounted to approximately HK$145.6 billion in 2003, representing an increase of 39% as compared to 2002. With the World Trade Organization ("WTO") reforms, Beijing's successful bid for the 2008 Olympic and the implementation of Closer Economic Partnership Arrangement ("CEPA") trade pact, the research forecasts the advertising spending will have a double-digit growth in 2004 as compared to 2003. To capitalise on the strong growth on advertising spending in the PRC, the Group is currently carrying out a study to further develop the sale of advertising rights business by providing a "cross-media advertising service" to advertising agencies and/or corporate clients. Such service will involve the placement of advertisements in the Group's various existing and future distribution media, such as video products, cinemas, television stations, transportation and hotels etc.

The directors believe that the plan for expanding the sale of advertising rights business will complement our existing film distribution business and generate additional revenue to the Group. As the expansion plan is still in a feasibility study stage, the "cross-media advertising service" is not expected to launch until the second half of 2004.

Financial Review

Liquidity and financial resources

The Group's financial position remains strong. Shareholders' equity increased to HK$337,655,000 at 31st December 2003 from HK$220,104,000 in 2002.

During the year ended 31st December 2003, the Group funded its operations mainly from cash generated from operations. At 31st December 2003, the Group's material sources of unutilised liquidity are bank balances and cash amounting to HK$80,722,000, which were denominated in Hong Kong dollars.

At 31st December 2003, the current ratio was 2.1 (2002: 0.61). The improvement on the current ratio was mainly attributed to the increases in bank balances and cash and trade receivables. The Group expresses its gearing ratio as a percentage of total borrowings over total shareholders' equity. At 31st December 2003, the Group's gearing ratio was 0.1 (2002: 0.15).

Borrowings

At 31st December 2003, the Group's total borrowings were HK$33,831,000 of which HK$33,800,000 representing a convertible notes payable to First-Up Investments Limited, a wholly-owned subsidiary of China Star Entertainment Limited, which was unsecured, interest bearing at 1% per annum and maturing on 19th April 2005 and HK$31,000 representing obligations under a finance lease which was secured, interest bearing and maturing on 5th April 2005.

The convertible notes carry the right to convert the whole or any part of the outstanding principal amount of the notes into ordinary shares of HK$0.10 each in the share capital of the Company at HK$4.00 per share at any time on or before 19th April 2005 and may be transferred in whole or in part of the outstanding principal amount by the holder of the notes. Prior to the maturity, neither the holder of the notes nor the Company has the right to redeem or request for redemption of the notes.

Treasury policies

The Group adopts a conservative set of treasury policies to ensure no unnecessary risks are taken by the Group's assets. No investment other than cash and short-term bank deposit are currently permitted.

Foreign exchange exposure

As the majority of the Group's transactions, assets and liabilities are denominated in Hong Kong dollars, the exchange rate risks of the Group are considered to be minimal. Accordingly, no financial instruments for hedging purposes have been used by the Group.

Signed distribution agreements

At 31st December 2003, the Group had approximately HK$66,700,000 worth of signed distribution agreements in its order books. Delivery of these distribution agreements is expected to be completed in 7 months.

Acquisitions and disposals of subsidiaries and associated companies

In January 2003, the Group acquired the entire issued share capital of Legend Rich for a consideration of HK$26,000,000. In January 2003, Legend Rich entered into a sales and distribution agreement with Tianjin Xinghui, pursuant to which Tianjin Xinghui agreed to be responsible for the sale and distribution of the Group's video products in the PRC. The owners of Tianjin Xinghui have each given an undertaking to transfer their entire interests in the registered capital of Tianjin Xinghui to Legend Rich when the laws and regulations in the PRC allow.

In July 2003, the Group acquired the entire issued share capital of World East for a consideration of HK$15,000,000. In July 2003, World East entered into an agency agreement with Shanghai Shengping, pursuant to which Shanghai Shengping agreed to provide sales and business consulting services to the Group in the PRC. The owners of the Shanghai Shengping have each given an undertaking to transfer their entire interests in the registered capital of Shanghai Shengping to World East when the laws and regulations in the PRC allow.

Save as disclosed above, the Group made no acquisitions or disposals of subsidiaries and associated companies during the year ended 31st December 2003.

Charges on assets

During the year ended 31st December 2003, the Group had not created any charge on its assets.

Contingent liabilities

At 31st December 2003, the Group had no material contingent liabilities.

Proposed secondary listing of shares

On 9th January 2004, the lead manager, Ernst & Young Corporate Finance Pte Limited, had made an application on behalf of the Company to the Singapore Exchange Securities Trading Limited (the "Singapore Exchange") for a proposed secondary listing of and a quotation for the Company's shares on the Singapore Exchange. The application is being processed by the Singapore Exchange.

The directors believe that the proposed secondary listing of the Company's shares on the Singapore Exchange will enhance the Group's profile in South East Asia, facilitate investments by investors in South East Asia and enable the Company to gain assess to Singapore's capital markets.

Human Resources

At 31st December 2003, the Group employed 26 staff (2002: 15 staff). Total staff costs (including directors' remuneration) amounted to HK$5,592,000 for the year ended 31st December 2003 (2002: HK$6,550,000). Employees are remunerated according to their performance and work experience. In addition to basic salaries and retirement scheme, staff benefits include medial scheme and share options.

In addition to staff costs incurred in relation to the above staff, the Group also bears the staffing costs of 72 people (2002: Nil) who work for Tianjin Xinghui and Shanghai Shengping pursuant to the Group's sub-distributor or agency arrangements (as the case may be) with them. Total staff costs for Tianjin Xinghui and Shanghai Shengping amounted to HK$2,870,000 for the year ended 31st December 2003 (2002: Nil).

Prospects

During 2003, the PRC domestic economy continued to grow with over 7% annual national GDP growth. With the WTO reforms and the continuous improvement of the living standards in the PRC, the directors believe that the demand for entertainment products is strong. The directors expect copyright protection in the PRC to improve and the PRC market to be liberalised.

Prior to 1st January 2004, only licensed PRC companies are allowed to produce and/or distribute films under the PRC laws. The CEPA pact opens up the PRC film industry for Hong Kong companies by permitting Hong Kong companies to establish joint ventures with majority shareholdings to engage in the distribution of videos and sound recording products (including motion picture products) as well as to construct, renovate and operate cinema theatres in the PRC. Under CEPA pact, Chinese-language films made by Hong Kong companies are exempt from the quota of 20 foreign films a year. Films jointly produced by Hong Kong and the PRC are treated as "made in China". It is expected that Hong Kong's role as a gateway to the PRC market will boost film production in the coming year. The directors believe that the CEPA pact provides the Group opportunities to offer PRC audience a richer and wider choice of films in various media and greater flexibility to distribute the Group's films in the PRC.

To capitalise on the opportunities offered by the rapid growth in the PRC entertainment industry resulted from the continuous economic growth and relaxation of regulations on the import films and audio-visual products, the Group will implement the following strategies:

a. Expanding the Group's film library

   The Group will further expand its film library by acquiring distribution rights to a different variety of films in order to offer the PRC audience a wider selection of films.

b. Expanding the Group's distribution network

   The Group will further expand its distribution network in the PRC to include more sub-distributors and sub-licensees for its video products and 35-mm films for theatrical release as well as other media.

c. Diversifying the Group's distribution media

   The Group will explore other distribution media, such as other television networks and transportation, for its films in order to offer entertainment to a wider range of audience through different media.

The Group will concentrate on building on its expertise in films distribution. While maintaining its focus on distribution, the Group will be actively seeking diversification opportunities that are strategically important to the development of its core business and which complement to the Group's current business.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31st December 2003.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied throughout the year ended 31st December 2003 with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except that the independent non-executive directors of the Company have not been appointed for specific terms as required by Paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

Information that is required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website in due course.

By order of the Board
Heung Wah Keung
Chairman

Hong Kong, 23rd March 2004