



RICHE MULTI-MEDIA HOLDINGS LIMITED

豐采多媒體集團有限公司\*

(Incorporated in Bermuda with limited liability)

CONNECTED TRANSACTIONS  
CONTINUING CONNECTED TRANSACTIONS  
AND  
WAIVER APPLICATION

During the period from January to November 2002, the Company through its wholly-owned subsidiaries, entered into the Existing Distribution Agreements with BCSIA, a wholly-owned subsidiary of China Star, under which BCSIA has agreed to provide Distribution Services to the Company in respect of Films for periods of up to three years from the respective dates of the Existing Distribution Agreements. In consideration, the Company will pay BCSIA distribution commission equivalent to 35% of the Gross Receipts and reimburse BCSIA for all Distribution Expenses incurred.	
BCSIA is a wholly-owned subsidiary of China Star, which is the controlling shareholder of the Company with shareholding interest of approximately 40.50% in the issued share capital of the Company. The transactions under the Existing Distribution Agreements therefore constitute connected transactions of the Company under the Listing Rules. The aggregate amount of commission paid by the Company to BCSIA under the Existing Distribution Agreements from January to November 2002 was less than HK\$1,000,000 and was accordingly exempted from reporting requirements under Rule 14.24(5) of the Listing Rules.	
It is anticipated that the aggregate commissions payable by the Company to BCSIA within the financial year ending 31 December 2002 will exceed HK\$1,000,000 but will be less than HK\$10,000,000 and the Existing Distribution Agreements will therefore be subject to the disclosure requirements provided under Rule 14.25(1)(A) to (D) of the Listing Rules, including disclosure by press announcement.	
In addition, the Directors expect that the Group will continue to engage China Star Group to provide Distribution Services in respect of the Cyber Cinema Rights of the Films and on 3rd December 2002, RAL, a wholly-owned subsidiary of the Company, entered into the Cyber Cinema Rights Supply Agreement with BCSIA, pursuant to which BCSIA agrees to provide Distribution Services for RAL subject to such other terms as may be agreed by the parties to the relevant Future Distribution Agreements to be entered into.	
The Future Distribution Agreements to be entered into from time to time in future will constitute continuing connected transactions for the Company under the Listing Rules and may require disclosure by press notice. The Directors consider that it would be impracticable and unduly burdensome for the Company to make separate announcements on each occasion when such requirements arise. Accordingly, the Company has applied to the Stock Exchange for an on-going waiver from the disclosure requirements on each occasion when such requirements arise, subject to the conditions as set out in the section headed “Continuing Connected Transactions: Waiver Application” in this announcement.	

CONNECTED TRANSACTIONS

Existing Distribution Agreements

Principal terms

During the period from January to November 2002, the Company through its wholly-owned subsidiaries, entered into the Existing Distribution Agreements with BCSIA, a wholly-owned subsidiary of China Star, under which BCSIA has agreed to provide (or procure the relevant company in China Star Group to provide) Distribution Services to the Company (or the relevant company in the Group) in respect of Films for periods of up to three years from the respective dates of the Existing Distribution Agreements. The Distribution Services entail the distribution of Cyber Cinema Rights of the Films during the term of the respective Existing Distribution Agreements within the Territory.

Based on the terms of each of the Existing Distribution Agreements, in consideration of the provision of the Distribution Services by BCSIA, the Company will pay BCSIA distribution commission equivalent to 35% of the Gross Receipts. In addition, the Company shall bear all Distribution Expenses in respect of the Films and reimburse BCSIA of all such Distribution Expenses incurred. The transactions under the Existing Distribution Agreements were conducted in the ordinary course of business of the Company on normal commercial terms agreed after arms’ length negotiations between the parties.

Connection between the parties

BCSIA is a wholly-owned subsidiary of China Star, which is the controlling shareholder of the Company with shareholding interest of approximately 40.50% in the issued share capital of the Company. The transactions under the Existing Distribution Agreements therefore constitute connected transactions of the Company under the Listing Rules. The aggregate amount of commission paid by the Company to BCSIA under the Existing Distribution Agreements from January to November 2002 was less than HK\$1,000,000 and was accordingly exempted from reporting requirements under Rule 14.24(5) of the Listing Rules.

It is anticipated that the aggregate commissions payable by the Company to BCSIA within the financial year ending 31 December 2002 will exceed HK\$1,000,000 but will be less than HK\$10,000,000. The transactions under the Existing Distribution Agreements will therefore be required to be disclosed by way of press announcement and inclusion in the Company’s next published annual report and accounts under Rule 14.25(1)(A) to (D) of the Listing Rules.

Benefits of the transactions

The transactions under the Existing Distribution Agreements are conducted in the ordinary and usual course of business of the Group and are on normal commercial terms. The Directors, including the Independent Directors, consider that the terms of the Existing Distribution Agreements are fair and reasonable so far as the Shareholders are concerned and are beneficial to the Group as the cyber cinema network is a new medium which the Group does not have access to previously and the Group may leverage on this network to enhance its video programme distribution coverage in the Territory.

Principal activities of the Group

The principal activities of the Group are the distribution of video programmes, sales of advertising rights and sub-licensing of video programme rights.

The Cyber Cinema Rights Supply Agreement

The Directors expect that the Group will continue to engage China Star Group to provide Distribution Services in respect of the Cyber Cinema Rights of the Films in the foreseeable future. On 3rd December 2002, RAL, a wholly-owned subsidiary of the Company, entered into the Cyber Cinema Rights Supply Agreement with BCSIA, pursuant to which BCSIA agrees to provide (or the relevant company in the China Star Group to provide) Distribution Services for RAL (or the relevant company in the Group) subject to such other terms as may be agreed by the parties to the relevant Future Distribution Agreements to be entered into. The Cyber Cinema Rights Supply Agreement shall be for a period of five (5) years from the date of the Cyber Cinema Rights Supply Agreement.

If BCSIA (or the relevant company in the China Star Group) elects to provide Distribution Services in respect of a Film, a Future Distribution Agreement in respect of that Film will be entered into pursuant to which RAL (or the relevant company in the Group) will pay BCSIA (or the relevant company in the China Star Group) distribution commission equivalent to 35% (or such percentage as to be agreed by the parties to the relevant Future Distribution Agreement) of the Gross Receipts. RAL (or the relevant company in the Group) shall bear all Distribution Expenses in respect of the Films and reimburse BCSIA (or the relevant company in the China Star Group) of all such Distribution Expenses incurred. The cyber cinema network is a relatively new medium for exhibition of video programmes and thus, there is a lack of comparable commission arrangement. The aforesaid commission arrangement is and will be agreed upon based on arm’s length negotiations between the parties thereto, having taken into consideration previous arrangements for provision of the Distribution Services, including the Existing Distribution Agreements. The Directors (including the Independent Directors) consider the basis of the consideration to be fair and reasonable so far as the Shareholders are concerned.

CONTINUING CONNECTED TRANSACTIONS: WAIVER APPLICATION

The Future Distribution Agreements to be entered into between RAL (or the relevant company in the Group) and BCSIA (or the relevant company in the China Star Group) from time to time in future in relation to the Films to be agreed by the parties pursuant to the Cyber Cinema Rights Supply Agreement will constitute continuing connected transactions for the Company under the Listing Rules and, because of the anticipated range of the Aggregate Commission payable by the Group in each financial year, may require disclosure by press notice. The amount of the Aggregate Commission to be paid by RAL (or the relevant company in the Group) to BCSIA (or the relevant company in the China Star Group) pursuant to the respective Future Distribution Agreements during a financial year is expected to be less than the higher of either HK\$10,000,000 or 3% of the book value of the net tangible assets of the Company (as disclosed in the latest published consolidated accounts) for the relevant financial year. The Directors consider that it would be impracticable and unduly burdensome for the Company to make separate announcements on each occasion when such requirements arise. Accordingly, on 4th December 2002, the Company applied to the Stock Exchange for an on-going waiver from complying with the disclosure requirements by way of press notice under Rule 14.25(1) of the Listing Rules in respect of the Future Distribution Agreements under the Cyber Cinema Rights Supply Agreement, on each occasion when such requirements arise, subject to the conditions that:—

- the Future Distribution Agreements shall be:—
  - entered into by RAL (or the relevant company in the Group) (a) in the ordinary and usual course of its business; and (b) on normal commercial terms, where there is no available comparison, on terms that are fair and reasonable so far as the Shareholders are concerned;
  - entered into either (a) in accordance with the terms of the Cyber Cinema Rights Supply Agreement (save and subject to any other terms as may be agreed by the parties to the relevant Future Distribution Agreements); or (b) (where there is no such agreements) on terms no less favourable than those available to or from independent third parties;
- the Aggregate Commissions for each financial year of the Company shall not exceed the higher of HK\$10,000,000 or 3% of the book value of the net tangible assets of the Company (as disclosed in the latest published consolidated accounts) for the relevant financial year;
- the Independent Directors shall review the terms of each of the Future Distribution Agreements annually and confirm in the Company’s next published annual report that they are satisfied that the relevant transactions entered into pursuant to the Future Distribution Agreements during the financial year covered by the relevant annual report were conducted in the manner stated in paragraph 1 above;
- the Company’s auditors shall review the terms of the Future Distribution Agreements annually and confirm in a letter (the “Letter”) to the Directors (a copy of which shall be provided to the Listing Division of the Stock Exchange) that:—
  - the Future Distribution Agreements have received the approval of the Company’s board of Directors;

- the Future Distribution Agreements have been entered into in accordance with the Cyber Cinema Rights Supply Agreement (save and subject to any other terms as may be agreed by the parties to the relevant Future Distribution Agreements) or if there are no such agreements, on terms no less favourable than those available to or from independent third parties; and
  - the Aggregate Commissions did not exceed the higher of HK\$10,000,000 or 3% of the book value of the net tangible assets of the Company as disclosed in the latest published consolidated accounts for the relevant financial year.
- Where, for whatever reason, the Independent Directors decline to conduct the review or are unable to give the confirmation as required under paragraph 3 above and/or the auditors of the Company decline to conduct the review or are unable to provide the Letter as required under this paragraph 4, the Directors shall notify the Listing Division of the Stock Exchange promptly;
- details of the transactions under the Future Distribution Agreements will be disclosed as required under Rule 14.25 (1)(A) to (D) of the Listing Rules in the published annual report of the Company for that financial year together with a statement of the opinion of the Independent Directors and the auditors of the Company referred to in paragraphs 3 and 4 above;
  - the Company and China Star shall undertake to the Stock Exchange that, for so long as the Company’s shares are listed on the Stock Exchange, the auditors of the Company will be granted access to such of their records for the purpose of the auditors’ review of the transactions under the Future Distribution Agreements.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than as at the date of the transactions of the kind to which the Future Distribution Agreements belong (including, but not limited to, a requirement that such Future Distribution Agreements be made conditional on approval by the independent shareholders of the Company), the Company shall take immediate steps to ensure compliance with such requirements within a reasonable time.

In the event that any of the above conditions is not satisfied in respect of any of the Future Distribution Agreements or if the terms of the Cyber Cinema Rights Supply Agreement are altered or if RAL (or any company of the Group) enters into any new agreement with any connected persons (within the meaning of the Listing Rules) in the future, the Company will comply with the provisions of Chapter 14 of the Listing Rules governing connected transactions, unless it applies for and obtains a separate waiver from the Stock Exchange.

DEFINITIONS

“Aggregate Commissions”	aggregate commissions payable to BCSIA (or the relevant company in the China Star Group) by RAL (or the relevant company in the Group) under the Future Distribution Agreements pursuant to the Cyber Cinema Rights Supply Agreement
“BCSIA”	Beijing Creative Star International Advertising Co. Ltd, a company incorporated in the PRC and wholly-owned by China Star
“China Star”	China Star Entertainment Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange and being the controlling shareholder of the Company
“China Star Group”	China Star and its subsidiaries
“Company”	Riche Multi-Media Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Cyber Cinema Rights”	the rights to distribute the Films by means of videograms for exhibition in venues where a charge for admission is made including but not limited to at public and private cinemas within the Territory
“Cyber Cinema Rights Supply Agreement”	the supply agreement entered into between RAL and BCSIA for the provision of Distribution Services by BCSIA to RAL in respect of such Films to be agreed by the parties to the relevant Future Distribution Agreements
“Director(s)”	directors of the Company
“Distribution Expenses”	all costs, expenses, tax and duties incurred and paid by BCSIA (or the relevant company in the China Star Group) in respect of the provision of the Distribution Services
“Distribution Services”	distribution services provided by BCSIA (or the relevant company in the China Star Group) to distribute the Cyber Cinema Rights of the Films within the Territory
“Existing Distribution Agreement(s)”	a series of distribution agreements entered into between the Company (or the relevant company in the Group) and BCSIA for the provision of Distribution Services by BCSIA (or the relevant company in the China Star Group) between the period January 2002 and November 2002
“Future Distribution Agreement(s)”	the distribution agreements to be entered into between RAL (or the relevant company in the Group) and BCSIA (or the relevant company in the China Star Group) in respect of the Films to be agreed by the parties thereto in accordance with the Cyber Cinema Rights Supply Agreement
“Film(s)”	any film, television series and/or video features in respect of which the Group or RAL (or the relevant company in the Group) has or will have the Cyber Cinema Rights within the Territory
“Gross Receipts”	total income received (before deducting therefrom any commission or Distribution Expenses) by BCSIA (or the relevant company in the China Star Group) on behalf of RAL (or the relevant company in the Group) in respect of the distribution of the Cyber Cinema Rights of the Films within the Territory, including all sums received by BCSIA (or the relevant company in the China Star Group) in respect of any award made by a court of competent jurisdiction or settlement paid by a third party in respect of any copyright infringement by a third party of the Cyber Cinema Rights of the Films within the Territory
“Group”	the Company and it subsidiaries
“Independent Director(s)”	independent non-executive directors of the Company
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	(for the purpose of geographical references in this announcement only) the People’s Republic of China except Hong Kong, Macau and Taiwan
“RAL”	Riche Advertising Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Shareholders”	holders of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Territory”	PRC

4th December, 2002

\* For identification purpose only

By order of the Board  
Lei Hong Wai  
Executive Director