



Riche Multi-Media Holdings Limited

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

PROPOSED SUBDIVISION OF SHARES,
CHANGE OF BOARD LOT SIZE AND
REFRESHMENT OF SCHEME MANDATE LIMIT
UNDER THE SHARE OPTION SCHEME

Financial adviser to the Company

宏圖東方融資有限公司
Regal Oriental Capital Limited

The Board proposes that every one Share of HK\$0.10 in the issued and unissued share capital of the Company be subdivided into 10 Subdivided Shares of HK\$0.01 each in the issued and unissued share capital of the Company. As at the date of this Announcement, there were 475,200,000 Shares of HK\$0.10 each in issue and fully paid or credited as fully paid. Assuming no further Shares will be issued from the date of this Announcement up to the date of the SGM, there will be 4,752,000,000 Subdivided Shares of HK\$0.01 each in issue and fully paid or credited as fully paid following the Share Subdivision.

It is also proposed that the Subdivided Shares will be traded in board lots of 10,000. Based on the closing price of HK\$2.225 per Share as at the date of this Announcement, the value of each board lot of 10,000 Subdivided Shares, assuming the Share Subdivision had already been in effect, would be HK\$2,225.

The Company adopted the Share Option Scheme on 21 January 2002. As at the date of adoption of the Share Option Scheme, 475,200,000 Shares were in issue and the maximum number of Shares which may be issued upon the exercise of all Options under the Share Option Scheme were 47,520,000 Shares, being 10 per cent. of the Shares in issue. As at the date of this Announcement, a total of 46,570,000 Options remain outstanding and 46,570,000 Shares will be allotted and issued upon the exercise of such Options, representing approximately 9.80% of the issued share capital of the Company. The remaining 950,000 Options were cancelled by the Company on 23 May 2002. Unless the 10% Scheme Mandate Limit is refreshed up to 47,520,000 Shares, no Share may be issued pursuant to the grant of Options under the Share Option Scheme.

The Circular containing, among other things, information as regards the Share Subdivision, the change of the board lot size and refreshment of Scheme Mandate Limit under the Share Option Scheme together with a notice convening the SGM will be despatched to Shareholders as soon as practicable.

PROPOSED SHARE SUBDIVISION

The Board proposes that every one Share of HK\$0.10 in the issued and unissued share capital of the Company be subdivided into 10 Subdivided Shares of HK\$0.01 each in the issued and unissued share capital of the Company. As at the date of this Announcement, there were 475,200,000 Shares of HK\$0.10 each in issue and fully paid or credited as fully paid. Assuming no further Shares will be issued from the date of this Announcement up to the date of the SGM, there will be 4,752,000,000 Subdivided Shares of HK\$0.01 each in issue and fully paid or credited as fully paid following the Share Subdivision. The authorised share capital of the Company will remain at HK\$200,000,000 divided into 20,000,000,000 Subdivided Shares of HK\$0.01 each.

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

- (i) 19,000,000 Options carrying rights to subscribe for 19,000,000 Shares at an exercise price of HK\$2.60 per Share;
- (ii) 27,570,000 Options carrying rights to subscribe for 27,570,000 Shares at an exercise price of HK\$1.94 per Share;
- (iii) 95,040,000 warrants carrying rights to subscribe for Shares at an initial subscription price of HK\$3.60 per Share during the period commencing from 17 June 2002 up to and including 16 June 2005; and
- (iv) outstanding convertible notes in the principal amount of HK\$33,800,000 carrying rights to subscribe for Shares at an exercise price of HK\$4.00 per Share at any time on or before 19 April 2005. Exercise in full of the subscription rights attaching to such convertible notes will result in the Company allotting and issuing 8,450,000 Shares.

The implementation of the Share Subdivision is conditional upon:

- (i) the passing of the necessary ordinary resolution by the Shareholders at the SGM to approve the Share Subdivision; and
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subdivided Shares.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Subdivided Shares. All necessary arrangements will be made for the Subdivided Shares to be admitted into the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited.

CHANGE OF BOARD LOT SIZE

As at the date of this Announcement, Shares are traded in board lots of 1,000. It is proposed that the Subdivided Shares will be traded in board lots of 10,000.

Based on the closing price of HK\$2.225 per Share as at the date of this Announcement, the value of each board lot of 10,000 Subdivided Shares, assuming the Share Subdivision had already been in effect, would be HK\$2,225.

The net effect of the Share Subdivision and the change of board lot size is that there will not be any change in the net monetary value per board lot of shares of the Company.

STATUS OF THE SUBDIVIDED SHARES

The Subdivided Shares will rank pari passu in all respects with each other and the Share Subdivision will not result in any change in the relative rights of the Shareholders. Fractional Subdivided Shares will not be issued by the Company to Shareholders. In order to alleviate the difficulties arising from the existence of odd lots of Subdivided Shares, the Company has agreed to procure an agent to arrange for matching service regarding the sale and purchase of odd lots of Subdivided Shares from 25 January 2005 to 18 February 2005 (both days inclusive). Further details in respect of the odd lots arrangement will be set out in the Circular.

REASONS FOR THE SHARE SUBDIVISION AND CHANGE IN BOARD LOT SIZE

The proposed Share Subdivision will decrease the nominal value of the Shares and increase the total number of Shares currently in issue. Based on the closing price as at the date of this Announcement, assuming the Share Subdivision had already been in effect, the share price would be adjusted from HK\$2.225 per Share to HK\$0.2225 per Subdivided Share. The Directors believe that the Share Subdivision will enable to the Company to attract a larger percentage of the general investing public in Hong Kong to invest in the Subdivided Shares and thereby increasing the trading activities of the shares of the Company. Accordingly, the Directors believe that the Share Subdivision and change in board lot size are beneficial to the Company and Shareholders as a whole.

Other than the expenses to be incurred by the Company in relation to the Share Subdivision and change in board lot size, the implementation thereof will not, by itself, affect the underlying assets, business operations, management or financial position of the Group or the interests of Shareholders as a whole.

EXCHANGE OF CERTIFICATES FOR SUBDIVIDED SHARES

Subject to the Share Subdivision becoming effective, which is currently expected to be 11 January 2005, being the business day immediately after the date of the SGM, Shareholders may on or after 11 January 2005 and until 23 February 2005 (both days inclusive) submit their share certificates for Shares to the Registrar for exchange for share certificates for the Subdivided Shares at the expense of the Company. After the prescribed time for free exchange of share certificates, a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) will be payable by the Shareholders to the Registrar for exchange of share certificates.

With effect from 19 February 2005, trading will only be in Subdivided Share in board lots of 10,000. Share certificates in Shares will cease to be valid for trading and settlement purpose, but will remain valid and effective as documents of title.

EXPECTED TIMETABLE

The expected timetable for the Share Subdivision and change in board lot size is as follows:

Despatch of the Circular	Thursday, 23 December 2004
Publication of the notice of SGM	Thursday, 23 December 2004
Latest time for lodging the form of proxy for the SGM	11:00 a.m. on Saturday, 8 January 2005
SGM	11:00 a.m. on Monday, 10 January 2005
Effective date of the Share Subdivision	Tuesday, 11 January 2005
Original counter for trading in Shares in board lots of 1,000 Shares temporarily closes	9:30 a.m. on Tuesday, 11 January 2005
Temporary counter for trading in Subdivided Shares in board lots of 10,000 Subdivided Shares opens (in the form of existing share certificates)	9:30 a.m. on Tuesday, 11 January 2005
First day for free exchange of existing share certificates for new share certificates	Tuesday, 11 January 2005

Original counter for trading in Subdivided Shares in board lots of 10,000 Subdivided Shares reopens (in the form of new share certificates)	9:30 a.m. on Tuesday, 25 January 2005
Parallel trading of Subdivided Shares commences (in the form of existing and new share certificates)	9:30 a.m. on Tuesday, 25 January 2005
First day of operation of odd lot trading facility	Tuesday, 25 January 2005
Temporary counter for trading in Subdivided Shares in board lots of 10,000 Subdivided Shares close (in the form of existing share certificates)	4:00 p.m. on Friday, 18 February 2005
Parallel trading of Subdivided Shares ends (in the form of existing and new share certificates)	4:00 p.m. on Friday, 18 February 2005
Last day of operation of odd lot trading facility	Friday, 18 February 2005
Latest time for free exchange of share certificates	4:00 p.m. on Wednesday, 23 February 2005

REFRESHMENT OF THE SCHEME MANDATE LIMIT

The Company adopted the Share Option Scheme on 21 January 2002. As at the date of adoption of the Share Option Scheme, 475,200,000 Shares were in issue and the maximum number of Shares which may be issued upon the exercise of all Options under the Share Option Scheme were 47,520,000 Shares, being 10 per cent. of the Shares in issue. As at the date of this Announcement, a total of 46,570,000 Options remain outstanding and 46,570,000 Shares will be allotted and issued upon the exercise of such Options, representing approximately 9.80% of the issued share capital of the Company. The remaining 950,000 Options were cancelled by the Company on 23 May 2002. Unless the 10% Scheme Mandate Limit is refreshed up to 47,520,000 Shares, no Share may be issued pursuant to the grant of Options under the Share Option Scheme.

The refreshment of the Scheme Mandate Limit will enable the Company to grant further Options to eligible participants so as to provide incentives to, and recognise the contributions of, the Group's employees and other selected grantees. It is proposed that subject to the approval of the Shareholders at the SGM and such other requirements prescribed under the Listing Rules, the Scheme Mandate Limit will be refreshed so that the total number of securities which may be issued upon exercise of all Options to be granted under the Share Option Scheme under the Scheme Mandate Limit as refreshed, shall not exceed 10 per cent of the Shares in issue as at the date of approval of the proposed refreshment of the Scheme Mandate Limit by the Shareholders at the SGM and, Options previously granted under the Share Option Scheme (including without limitation those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme) will not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed.

Pursuant to the Listing Rules, the Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme at any time will not exceed 30 per cent. of the Shares in issue from time to time. No options shall be granted under any scheme(s) of the Company or any of its subsidiaries if this will result in the 30 per cent. limit being exceeded.

GENERAL

The Circular containing, among other things, information as regards the Share Subdivision, the change of board lot size and refreshment of Scheme Mandate Limit under the Share Option Scheme together with a notice convening the SGM will be despatched to Shareholders as soon as practicable.

DEFINITIONS

"Announcement"	this announcement in relation to the Share Subdivision, change of board lot size and refreshment of Scheme Mandate Limit under the Share Option Scheme
"Board"	the board of Directors
"Circular"	the circular of the Company containing, among other things, information as regards the proposed Share Subdivision, the change of board lot size and refreshment of Scheme Mandate Limit under the Share Option Scheme together with a notice convening the SGM to be despatched to Shareholders
"Company"	Riche Multi-Media Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Stock Exchange
"Directors"	the directors of the Company for the time being
"Group"	the Company and its subsidiaries
"Options"	the right granted under the Share Option Scheme to subscribe for Shares in accordance with the Share Option Scheme
"Registrar"	Standard Registrars Limited, the branch share registrar of the Company in Hong Kong
"Scheme Mandate Limit"	the maximum number of Shares which may be allotted and issued upon the exercise of all options to be granted under the Share Option Scheme which initially shall not in aggregate exceed 10 per cent. of the Share in issue as at the date of adoption of the Share Option Scheme and thereafter, if refreshed shall not exceed 10 per cent. of the Subdivided Shares in issue as at the date of approval of the refreshed limit by the Shareholders
"SGM"	the special general meeting of the Company to be convened to consider and, if thought fit, approve the proposed Share Subdivision
"Share Option Scheme"	the share option scheme adopted by the Company on 21 January 2002
"Share Subdivision"	the proposed Subdivision of every one Share of HK\$0.10 in the issued and unissued share capital of the Company into 10 Subdivided Shares of HK\$0.01 each in the issued and unissued share capital of the Company
"Shareholders"	holders of Shares or Subdivided Shares, as the case may be
"Shares"	ordinary shares of HK\$0.10 each in the issued and unissued share capital of the Company prior to the Share Subdivision
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subdivided Shares"	subdivided ordinary shares of HK\$0.01 each in the issued and unissued share capital of the Company upon completion of the Share Subdivision

As at the date of this announcement, the executive Directors are Mr Heung Wah Keung, Ms Chen Ming Yin, Tiffany, Mr Lei Hong Wai and the three independent non-executive Directors are Mr Lai Hok Lim, Mr Tang Chak Lam, Gilbert and Mr Ho Wai Chi, Paul.

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

Hong Kong, 21 December 2004