



RICHE MULTI-MEDIA HOLDINGS LIMITED

豐采多媒體集團有限公司*

(incorporated in Bermuda with limited liability)

ON-GOING CONNECTED TRANSACTIONS

For the period commencing from 1 January 2003 and up to the date of this announcement, the Four Subsidiaries entered into the 2003 Transactions with China Star Production, a wholly owned subsidiary of China Star which is a substantial shareholder of the Company.

The Directors expect that the aggregate service fee paid and to be paid by the Four Subsidiaries under the Transactions and the 2003 Transactions for the financial year ending 31 December 2003 will exceed HK\$1,000,000 but not the higher of either HK\$10,000,000 or 3% of the book value of the net tangible assets of the Company. The 2003 Transactions constituted and the Transactions will constitute, connected transactions of the Company under the Listing Rules and require disclosure by way of press notice and inclusion in the Company's next published annual report in accordance with Rule 14.25 of the Listing Rules.

The Transactions are to take place on a continuing basis. As it is onerous to issue a press notice in relation to each Transaction when such requirement arises, the Company has applied to the Stock Exchange for the grant of a conditional waiver for the financial years ending 31 December 2003, 31 December 2004 and 31 December 2005 in respect of the on-going connected Transactions subject to the relevant cap and other conditions as set out in the section headed "On-going Connected Transactions: Waiver Application" in this announcement.

THE 2003 TRANSACTIONS

For the period commencing from 1 January 2003 and up to the date of this announcement, the Four Subsidiaries entered into approximately 272 transactions with China Star Production in relation to the provision by China Star Production to the Four Subsidiaries of the post-production services including VCD encoding and authoring, video format transferring and editing of films (the "2003 Transactions"):

The 2003 Transactions were entered into on an order-by-order basis and no master agreement has been signed between China Star Production and the Four Subsidiaries. The 2003 Transactions commenced from 1 January 2003. For the ten months ended 31 October 2003, the aggregate post-production service fee paid by the Four Subsidiaries to China Star Production amounted to approximately HK\$970,000. The Directors expect that the aggregate post-production service fee to be paid by the Four Subsidiaries to China Star Production under the Transactions and the 2003 Transactions for the financial year ending 31 December 2003 will exceed HK\$1,000,000 but not the higher of either HK\$10,000,000 or 3% of the book value of the net tangible assets of the Company.

The basis of the post-production service fee was determined with reference to that adopted in the past and was reached after arm's length negotiation between China Star Production and the Four Subsidiaries, which was similar to that adopted by the Group in other similar transactions with independent third parties not connected with the directors, chief executives or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates (as defined in the Listing Rules). The credit terms between China Star Production and the Four Subsidiaries were the same as those between China Star Production and its other customers who were independent of and not connected with, the Group.

REASONS FOR THE 2003 TRANSACTIONS

The Group is principally engaged in the distribution of programmes, sub-licensing programme rights and sales of advertising rights for advertisement placing on video programmes in Hong Kong and the PRC.

The Directors, including the independent non-executive Directors, are of the view that the 2003 Transactions have been conducted in the ordinary and usual course of business of the Group and on normal commercial terms. The Directors, including the independent non-executive Directors, also consider that the terms of the 2003 Transactions were fair and reasonable and in the interests of the Company and its shareholders as a whole.

RELATIONSHIP BETWEEN CHINA STAR PRODUCTION AND THE COMPANY

As at the date of this announcement, China Star is the substantial shareholder of the Company and is interested in approximately 40.61% of the existing issued share capital of the Company. The entire issued share capital of China Star Production is wholly and beneficially owned by China Star and accordingly, China Star Production is a connected person within the meaning of the Listing Rules. Therefore, the 2003 Transactions constituted and the Transactions will constitute, connected transactions of the Company under the Listing Rules and require disclosure by way of press notice and inclusion in the Company's next published annual report in accordance with Rule 14.25 of the Listing Rules.

ON-GOING CONNECTED TRANSACTIONS: WAIVER APPLICATION

The Directors expect that the Transactions will continue to take place for the financial years ending 31 December 2003, 31 December 2004 and 31 December 2005. It will be impracticable and unduly burdensome for the Company to make separate announcements on each occasion when such requirement arises. Accordingly, the Company has applied to the Stock Exchange for a 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 Transactions on each occasion when such requirement arises for the financial years ending 31 December 2003, 31 December 2004 and 31 December 2005, subject to the conditions that:

- (1) the Transactions will be:
 - (a) entered into by the Group in the ordinary and usual course of business of the Group;
 - (b) entered into on an arm's length basis and, where there are comparable transactions, on normal commercial terms which are no less favourable than terms available to (or from) independent third party (to the extent that there are comparable transactions); and
 - (c) fair and reasonable so far as the shareholders of the Company are concerned;
- (2) (a) the annual aggregate consideration payable by the Group to China Star Production in respect of the Transactions in the financial year ending 31 December 2003 does not exceed HK\$1,400,000;
- (b) the annual aggregate consideration payable by the Group to China Star Production in respect of the Transactions in the financial year ending 31 December 2004 does not exceed HK\$2,100,000; and
- (c) the annual aggregate consideration payable by the Group to China Star Production in respect of the Transactions in the financial year ending 31 December 2005 does not exceed HK\$3,100,000;
- (3) brief details of the Transactions, as set out in Rule 14.25(1)(A) to (D) of the Listing Rules, be disclosed in the Company's annual report in the relevant financial year;

- (4) the independent non-executive Directors shall review the Transactions annually and confirm in the Company's annual reports for the relevant financial year that the Transactions have been conducted in the manner stated in (1) and (2) above;
- (5) the auditors of the Company shall review annually the Transactions and confirm to the Directors in writing stating that:
 - (a) the Directors have approved the Transactions;
 - (b) the Transactions are within the applicable upper limit set out in paragraph (2) above; and
 - (c) the Transactions have been entered into in accordance with the terms of the agreements governing such Transactions or, where there is no agreement, on terms no less favourable than terms available to (or from, as appropriate) independent third parties.

Where, for whatever reason, the independent non-executive Directors decline to conduct the review or are unable to give the confirmation as required under paragraph (4) above and/or the auditors decline to conduct the review or are unable to provide confirmation in writing as required under paragraph (5) above, the Directors shall notify the Stock Exchange promptly;

- (6) the Company has undertaken to provide and procure the counterparty to the Transactions to provide the auditors of the Company with sufficient access to their respective relevant records to carry out the review of and report on the Transactions; and
- (7) unless a specific exemption applies under the Listing Rules, if the terms of any of the Transactions are altered at any time or if the upper limits set out in paragraph (2) above is exceeded, or if the Group enters into any new agreements or transactions with any connected persons (as defined in the Listing Rules) in the future, upon the expiry of the waiver period, the Company will comply with the applicable provisions of the Listing Rules relating to the connected transactions or will apply for waiver from strict compliance with the relevant requirements.

DEFINITIONS

The following words and phrases used in this announcement have the same meanings assigned below:

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| "Board" | the board of Directors |
| "China Star" | China Star Entertainment Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the main board of the Stock Exchange |
| "China Star Production" | China Star Production Services Limited, a company incorporated in Hong Kong and a wholly owned subsidiary of China Star |
| "Company" | Riche Multi-Media Holdings Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the main board of the Stock Exchange |
| "Director(s)" | director(s) of the Company |
| "Four Subsidiaries" | Riche Video Limited, Riche Pictures Limited, Riche Multi Media Limited and Bluelagoon Investment Holdings Limited, all being wholly owned Subsidiaries |
| "Group" | the Company and the Subsidiaries (including the Four Subsidiaries) |
| "Hong Kong" | Hong Kong Special Administrative Region of the PRC |
| "Listing Rules" | Rules Governing the Listing of Securities on the Stock Exchange |
| "PRC" | the People's Republic of China (which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan) |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Subsidiaries" | subsidiaries of the Company |
| "Transactions" | the transactions to be entered into between the Subsidiaries and China Star Production in relation to the provision of post-production services including VCD encoding and authoring, video format transferring and editing of films by China Star Production and "Transaction" shall be construed accordingly |
| "2003 Transactions" | has the meaning ascribed to it under the section headed "The 2003 Transactions" in this announcement |
| "HK\$" | Hong Kong dollars, the lawful currency of Hong Kong |
| "%" | per cent. |

By Order of the Board
Riche Multi-Media Holdings Limited
Lei Hong Wai
Executive Director

Hong Kong, 19 November 2003

* for identification purpose only