



RICHE MULTI-MEDIA HOLDINGS LIMITED

豐采多媒體集團有限公司*

(Incorporated in Bermuda with limited liability)

PROPOSED SHARE PREMIUM CANCELLATION

SHARE PREMIUM CANCELLATION

The Board proposes to put forward the Share Premium Cancellation for approval by the Shareholders.

Completion of the Share Premium Cancellation is subject to a number of conditions, details of which are disclosed in the section headed "Conditions of the Share Premium Cancellation" below.

Implementation of the Share Premium Cancellation will not of itself have any impact on the Group's underlying assets, business operations, management or financial position, other than the expenses incurred related to the exercise.

GENERAL

A circular containing, amongst others, details of the Share Premium Cancellation together with a notice convening the SGM will be despatched to the Shareholders and, for information purposes only, to the holders of Share Options, Warrants and Convertible Notes as soon as practicable.

SHARE PREMIUM CANCELLATION

The existing authorised share capital of the Company is HK\$200,000,000 comprising 2,000,000,000 Shares of HK\$0.10 each, of which 475,200,000 Shares are issued and fully paid up. According to the audited accounts for the year ended 31 December 2002 and the latest management accounts of the Company as at 31 May 2003, the amounts of the issued share capital and the share premium in the capital reserves are HK\$47,520,000 and HK\$186,682,000 respectively.

The Board proposes to put forward the Share Premium Cancellation for approval by the Shareholders at the SGM. Under the Share Premium Cancellation, the entire amount of HK\$186,682,000 standing to the credit of the share premium account of the Company as at 31 May 2003 will be cancelled.

The credit amount of HK\$186,682,000 arising from the Share Premium Cancellation will be applied to the contributed surplus account of the Company where it will be utilised by the Board in accordance with the bye-laws of the Company and all applicable laws, including to eliminate the accumulated losses of the Company of HK\$106,579,000 as at 31 December 2002 entirely. The amount standing to the credit of the contributed surplus account prior to completion of the Share Premium Cancellation is HK\$83,353,000. Upon completion of the Share Premium Cancellation and the elimination of the entire accumulated losses, an additional amount of HK\$80,103,000 will be credited to the contributed surplus account. As a result, the total outstanding amount standing to the credit of the contributed surplus account of the Company will increase to HK\$163,456,000.

Under the Companies Act, the Company cannot make a distribution out of contributed surplus account if:—

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

EFFECTS OF THE SHARE PREMIUM CANCELLATION

The authorised and issued share capital of the Company will not be affected upon the Share Premium Cancellation becoming effective.

Other than the expenses relating to the Share Premium Cancellation which is expected to be less than HK\$200,000, implementation of the Share Premium Cancellation will not of itself affect the underlying assets, business operations, management or financial position of the Group, and hence the interests of the Shareholders. The expenses incurred relating to the Share Premium Cancellation will not have any material adverse impact to the financial position of the Group.

REASONS FOR THE SHARE PREMIUM CANCELLATION

As stated in the financial statements of the Company for the year ended 31 December 2002, the Company had accumulated losses of HK\$106,579,000 as at 31 December 2002. The Share Premium Cancellation will allow the Company to eliminate the accumulated losses and as a result, will enable the Company to declare dividends to the Shareholders at an earlier opportunity than by generating profits to offset such losses. Hence, the Board believes that

the Share Premium Cancellation is beneficial to the Company and the Shareholders as a whole. The Company has not yet decided whether to declare dividends or not.

CONDITIONS OF THE SHARE PREMIUM CANCELLATION

The completion of the Share Premium Cancellation will be conditional upon:

- (a) the approval by the Shareholders at the SGM of a special resolution; and
- (b) the publication of a notice in relation to the Share Premium Cancellation in Bermuda in accordance with the Companies Act.

GENERAL

A circular containing, amongst others, details of the Share Premium Cancellation together with a notice convening the SGM will be despatched to the Shareholders and, for information purposes only, to the holders of Share Options, Warrants and Convertible Notes as soon as practicable. The share certificates of the Company will not be changed upon completion of the Share Premium Cancellation.

DEFINITIONS

"Board"	the board of directors of the Company
"Company"	Riche Multi-Media Holdings Limited, an exempted company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
"Companies Act"	the Companies Act 1981 of Bermuda
"Convertible Notes"	convertible notes issued by the Company as approved at the special general meeting of the Company held on 8 April 2002
"Group"	the Company and its subsidiaries
"HK\$"	Hong Kong dollar(s)
"SGM"	the special general meeting of the Company to be convened for the purpose of considering the Share Premium Cancellation
"Share(s)"	share(s) of HK\$0.10 each in the share capital of the Company
"Share Options"	share options granted under the Company's share option scheme adopted on 21 January 2002
"Share Premium Cancellation"	the cancellation of the amount of HK\$186,682,000 standing to the credit of the share premium account of the Company as at 31 May 2003
"Shareholder(s)"	holder(s) for the time being of the share(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Warrants"	warrants issued by the Company by way of bonus as approved at the special general meeting of the Company held on 27 May 2002

By order of the Board
Lei Hong Wai
 Executive Director

Hong Kong, 18 July 2003

* For identification purposes only