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## **RICHE MULTI-MEDIA HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 764)**

### **VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF A 100% INTEREST IN THE ISSUED SHARE CAPITAL OF EXCEPTIONAL GAIN PROFITS LIMITED AND A SALE LOAN AND RESUMPTION OF TRADING**

The Directors are pleased to announce that on 1st August, 2007 (after trading hours), the S&P Agreement was entered into between the Purchaser, the Company and the Vendor, pursuant to which the Purchaser would acquire a 100% interest in Exceptional Gain and the Sale Loan, at an aggregate consideration of HK\$447,000,000. The Consideration shall be satisfied by the issue of the Convertible Note.

The Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is therefore subject to Shareholders' approval pursuant to Rule 14.49 of the Listing Rules. As the Vendor is a connected person (as defined in the Listing Rules) of the Company, the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition is subject to, among other things, the approval of the Independent Shareholders at the SGM. Classical Statue Limited, an indirect wholly-owned subsidiary of the Vendor and a substantial Shareholder, together with its associates shall abstain from voting at the SGM in respect of the resolution to approve the Acquisition. An independent financial adviser will be appointed to advise the Independent Board Committee in respect of the Acquisition.

**Completion of the Acquisition is subject to satisfaction and/or waiver of the conditions precedent in the S&P Agreement. As the Acquisition may or may not complete, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

A circular containing, among other things, further information in respect of the Acquisition, the letter of advice from the Independent Board Committee to Independent Shareholders and the recommendation of the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, the accountants' report of Exceptional Gain, the independent valuation report of the Kingsway Hotel, together with a notice convening the SGM will be despatched to the Shareholders as soon as practicable.

Trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 2nd August, 2007 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 9th August, 2007.

## **THE S&P AGREEMENT**

Date: 1st August, 2007 (after trading hours)

Parties:

- (i) Purchaser: Legend Rich Limited, a wholly-owned subsidiary of the Company;
- (ii) Vendor: China Star, an investment holding company; and
- (iii) Guarantor of the Purchaser: the Company.

The Vendor is a connected person (as defined in the Listing Rules) of the Company under Chapter 14A of the Listing Rules and it is a substantial Shareholder.

## **The Acquisition**

Pursuant to the S&P Agreement which was negotiated upon normal commercial terms, the Purchaser has agreed to acquire and the Vendor has agreed to dispose or procure disposal of a 100% interest in Exceptional Gain and the Sale Loan. Exceptional Gain is an investment holding vehicle which indirectly holds a 50% interest in the Kingsway Hotel. The Kingsway Hotel was a three star hotel named Kingsway Hotel wholly owned by KHL and is located at Rua De Luis Gonzaga Gomes No. 176-230, Rua De Nagasaki No. 64-A-82, Rua De Xiamen No. 37-A-59, Macau.

Exceptional Gain was incorporated in the British Virgin Islands on 28th January, 2000. The unaudited consolidated net assets value of Exceptional Gain as at 31st May, 2007 was approximately HK\$31,677,000.

## **Consideration**

The Consideration, being HK\$447,000,000, was determined after arm's length commercial negotiations and with reference to a property valuation conducted by DTZ Debenham Tie Leung Limited, an independent professional valuer, on an open market basis valuing the Kingsway Hotel at approximately HK\$894,000,000 as at 31st July, 2007.

The Consideration shall be satisfied by the issue of the Convertible Note by the Company on Completion.

The Vendor had acquired its 50% interest in the Kingsway Hotel at an average consideration of approximately HK\$361,688,000 which is arrived at after taking into the acquisition cost of approximately HK\$231,875,000 for the 38.5% interest in the Kingsway Hotel and the acquisition cost of approximately

HK\$491,500,000 for the 61.5% interest in the Kingsway Hotel less the attributable acquisition cost of approximately HK\$361,687,000 in relation to the disposal of 50% interest in the Kingsway Hotel in June 2007. The balance of 50% interest in the Kingsway Hotel is held by Independent Third Parties.

### **Condition**

Completion is conditional upon, the following conditions being fulfilled and/or waived by the Purchaser as at the date of Completion:

- (a) the Shares remaining listed and traded on the Stock Exchange at all times from the date of the S&P Agreement to and on the date of Completion, save for (i) suspension of less than 20 consecutive Business Days or (ii) the suspension on account of clearance of any announcement in respect of any of the transactions contemplated under the S&P Agreement;
- (b) the passing of the necessary resolution(s) by the Shareholders (other than those (if any) who are required to abstain from voting under the Listing Rules) at the SGM to approve the Company's entry into of the S&P Agreement, the performance of the transactions contemplated thereunder, the issue of the Convertible Note and the Shares to be issued upon conversion of the Convertible Note;
- (c) the passing of the necessary resolution(s) by the shareholders of the Vendor (other than those (if any) who are required to abstain from voting under the Listing Rules) at a general meeting of the Vendor to approve the Vendor's entry into of the S&P Agreement and the performance of the transactions contemplated thereunder;
- (d) all necessary statutory governmental and regulatory obligations having been complied with and all necessary regulatory authority in Hong Kong or in Macau, governmental and third party consents and approvals (including those person entitled to any pre-emption rights) and waivers for the purposes of the transactions contemplated under the S&P Agreement having been obtained without any conditions (or subject to other conditions reasonably acceptable to the parties to the S&P Agreement); and
- (e) title checking by the Company of all title deeds and documents relating to the Kingsway Hotel to the reasonable satisfaction of the Purchaser that there are no circumstances which might lead to the title of the Purchaser to the Kingsway Hotel (including the land on which the Kingsway Hotel situates) being defective or not good or marketable or restricted in any adverse way, and satisfactory review of the tenancy agreements affecting the Kingsway Hotel.

If any of the conditions has not been fulfilled on or before 31st December, 2007, the Vendor or the Purchaser shall be entitled to rescind the S&P Agreement by giving written notice to the other whereupon the provisions of the S&P Agreement shall from such date have no further force and effect and no party shall have any liability under them (without prejudice to the rights of the parties in respect of any antecedent breaches).

Completion shall take place on the third Business Day after the fulfillment and/or waiver of the last of the conditions precedent in the S&P Agreement or such later date as the Vendor and the Purchaser may agree.

## **TERMS OF THE CONVERTIBLE NOTE**

The terms of the Convertible Note have been negotiated on an arm's length basis and the principal terms of which are summarised below:

### **Issuer**

The Company

### **Principal amount**

HK\$447,000,000

### **Interest**

The Convertible Note will not carry any interest.

### **Maturity**

A fixed term of 10 years from the date of issue of the Convertible Note. Unless previously redeemed, converted or cancelled in accordance with the instrument, the Company shall redeem the outstanding principal amount of the Convertible Note on the maturity date.

### **Conversion**

The Noteholder may at any time during the Conversion Period convert the whole or part (in multiples of HK\$1,000,000) of the principal amount of the Convertible Note into Conversion Shares at the Conversion Price.

Subject to the conditions provided in the instrument, the Company may at any time during the Conversion Period by at least 7 days' prior notice in writing request the Noteholder to convert certain amount of the Convertible Note as specified therein and the Noteholder shall convert such amount of the Convertible Note registered in its names into Conversion Shares as so requested by the Company.

Under the respective terms of the Convertible Note, the Vendor cannot convert the Convertible Note or part thereof if upon the exercise of the conversion rights under the Convertible Note, the Vendor and parties acting in concert with it, shall be interested in 30% of the voting rights (or such amount as may from time to time be specified in the Hong Kong Code on Takeovers and Mergers as being the level for triggering a mandatory general offer) or more of the then enlarged issued share capital of the Company at the date of the relevant exercise.

## Conversion Price

The Conversion Price is HK\$1.00 per Conversion Share subject to adjustments.

The adjustments for Conversion Price include the followings:

- (i) an alteration of the nominal amount of each Share by reason of any consolidation or subdivision;
- (ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);
- (iii) a capital distribution being made by the Company, whether on a reduction of capital or otherwise, to Shareholders (in their capacity as such) or a grant by the Company to Shareholders (in their capacity as such) of rights to acquire for cash assets of the Company or any of its subsidiaries;
- (iv) an offer of new Shares for subscription by way of rights, or a grant of options or warrants to subscribe new Shares being made by the Company to Shareholders (in their capacity as such);
- (v) an issue wholly for cash being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares and the total effective consideration per Share receivable for such securities is less than 80% of the market price on the date of announcement of the terms of the issue of such securities;
- (vi) an issue of Shares wholly for cash at a price per Share which is less than 80% of the market price on the date of announcement of the terms of such issue; and
- (vii) an issue of Shares for the acquisition of assets at a total effective consideration per Share which is less than 80% of the market price of the date of the announcement of the terms of such issue.

The Company will issue an announcement in respect of any adjustment made to the Conversion Price.

The Conversion Price represents (i) a premium of approximately 29.87% over the closing price of HK\$0.77 per Share as quoted on the Stock Exchange on 1st August, 2007, being the date immediately prior to the date of the suspension of trading in the Shares; (ii) a premium of approximately 21.95% over the average of the closing prices of approximately HK\$0.82 per Share as quoted on the Stock Exchange for the last 5 Trading Days up to and including 1st August, 2007, being the date immediately prior to the date of the suspension of trading in the Shares; (iii) a premium of approximately 27.39% over the average of the closing prices of HK\$0.785 per Share as quoted on the Stock Exchange for the last 10 Trading Days up to and including 1st August, 2007, being the date immediately prior to the date of the suspension of trading in the Shares; and (iv) a premium of approximately 2% over the net asset value per Share of HK\$0.98 based on the audited consolidated accounts of the Group as at 31st December, 2006 adjusted for the placings of new Shares as completed in March, May, July and August 2007.

The Conversion Price is arrived at after arm's length negotiation between the parties and is based on the average closing price at HK\$0.785 for the last 10 Trading Days prior to the suspension and by taking into account the future prospect of the Group's recent expansion into the Macau property market and the adjusted net asset value per Share as at 31st December, 2006.

### **Conversion Shares**

As at the date of this announcement, Classical Statue Limited is holding 276,351,000 Shares, representing approximately 21.24% of the existing issued share capital of the Company. Assuming the Vendor exercises the conversion rights attaching to the Convertible Note, the maximum Conversion Shares that the Company can allot and issue pursuant to the instrument is 162,678,000 Conversion Shares, representing (i) 12.5% of the existing share capital of the Company; and (ii) 11.11% of the issued share capital of the Company as enlarged by the 162,678,000 Conversion Shares. Upon the allotment and issue of the 162,678,000 Conversion Shares, the Vendor and Classical Statue Limited will hold an aggregate of 439,029,000 Shares, representing approximately 29.99% of the issued share capital of the Company as enlarged by the 162,678,000 Conversion Shares. The Conversion Shares will be issued pursuant to the specific mandate to be sought at the SGM.

### **Early redemption**

The Company may at any time before the maturity date, by serving at least 7 days' prior written notice on the Noteholder with the total amount proposed to be redeemed from the Noteholder specified therein, redeem the Convertible Note (in whole or in part) at their face value.

### **Ranking**

The Conversion Shares, when allotted and issued, will rank pari passu in all respects with all existing Shares in issue on the date of allotment and issue of such Conversion Shares.

### **Status of the Convertible Note**

The Convertible Note constitutes a direct, unconditional, unsubordinated and unsecured obligation of the Company and rank pari passu without any preference (with the exception as may be provided by applicable legislation) equally with all other present and/or future unsecured and unsubordinated obligations of the Company.

### **Voting rights**

The Convertible Note does not confer any voting rights at any meetings of the Company.

### **Application for listing**

No application will be made by the Company for the listing of the Convertible Note. Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

## CHANGES IN SHAREHOLDING STRUCTURE OF THE COMPANY

Effect on the shareholding assuming all the Convertible Note having been converted into Conversion Shares:

Shareholders	Shares in issue as at 1st August, 2007 taking into account the Placing but not the Top-Up		Immediately after the Placing and Top-Up		Full conversion of the Convertible Note	
	Shares	%	Shares	%	Shares	%
Classical Statue Limited (Note 1)	103,351,000	9.16	276,351,000	21.24	276,351,000	18.88
The Vendor (Note 2)	<u>0</u>	<u>0.00</u>	<u>0</u>	<u>0.00</u>	<u>162,678,000</u>	<u>11.11</u>
Sub-total	<u>103,351,000</u>	<u>9.16</u>	<u>276,351,000</u>	<u>21.24</u>	<u>439,029,000</u>	<u>29.99</u>
Northbay Investments Holdings Limited (Note 3)	129,492,174	11.48	129,492,174	9.95	129,492,174	8.85
Public Shareholders	<u>895,396,800</u>	<u>79.36</u>	<u>895,396,800</u>	<u>68.81</u>	<u>895,396,800</u>	<u>61.16</u>
Total	<u><u>1,128,239,974</u></u>	<u><u>100.00</u></u>	<u><u>1,301,239,974</u></u>	<u><u>100.00</u></u>	<u><u>1,463,917,974</u></u>	<u><u>100.00</u></u>

Notes:

- Classical Statue Limited is a wholly-owned subsidiary of China Star Entertainment (BVI) Limited. China Star Entertainment (BVI) Limited is a wholly-owned subsidiary of the Vendor. The Vendor and China Star Entertainment (BVI) Limited are deemed to be interested in the Shares owned by Classical Statue Limited.
- Based on the Conversion Price of HK\$1.00 per Conversion Share, a maximum of 447,000,000 Conversion Shares will be allotted and issued upon exercise of the conversion rights under the Convertible Note in full. For illustration purpose, assuming full conversion of the Convertible Note on the date of this announcement and subject to restriction that any conversion of the Convertible Note cannot trigger off a mandatory offer under rule 26 of the Hong Kong Code on Takeovers and Mergers on the part of the Vendor, the maximum Conversion Shares that can be converted under the Convertible Note will only represent 29.99% of the issued share capital of the Company.
- 35.5% and 64.5% of the shareholding of Northbay Investments Holdings Limited are respectively owned by Asia Vest Partners VII Limited and Asia Vest Partners X Limited, and both of them are indirectly wholly-owned by Mr. Andrew Nan Sherrill through Asia Vest Partners Limited. Northbay Investments Holdings Limited and its ultimate beneficial owner does not hold any management position or directorship in the Company.

Other than the 239,355,995 employee share options of the Company which have been granted but not exercised, the Company has no outstanding convertible securities.

## FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Save as disclosed below, the Company has not conducted any fund raising activities in the past twelve months before the date of this announcement:

<b>Date of announcement</b>	<b>Event</b>	<b>Net proceeds (approximately)</b>	<b>Intended use of proceeds as announced</b>	<b>Actual use of proceeds</b>
25th July, 2007	Placing of 173,000,000 existing Shares and subscription of 173,000,000 new Shares	HK\$139,800,000	For expansion of the property investment business of the Group, including the property set out in the Company's announcement dated 23rd July, 2007	Not yet utilised
25th June, 2007	Placing of 162,100,000 new Shares under general mandate	HK\$78,900,000	For the expansion of the Group's property investment business	Fully utilised on the deposit payment on the proposed acquisition of 100% equity interest in Modern Vision (Asia) Limited
10th April, 2007	Placing of 155,620,000 new Shares	HK\$83,300,000	For financing possible diversified investments of the Group and the general working capital of the Group	Fully utilised on the deposit payment on the proposed acquisition of 100% equity interest in Modern Vision (Asia) Limited



<b>Date of announcement</b>	<b>Event</b>	<b>Net proceeds (approximately)</b>	<b>Intended use of proceeds as announced</b>	<b>Actual use of proceeds</b>
19th March, 2007	Placing of 129,686,000 existing Shares and subscription of 129,686,000 new Shares	HK\$50,500,000	For financing possible diversified investments of the Group and the general working capital of the Group	Fully utilised on the deposit payment on the proposed acquisition of 100% equity interest in Modern Vision (Asia) Limited

## **REASONS AND BENEFITS OF THE ACQUISITION**

The principal activity of the Company is investment holding. The principal subsidiaries of the Company are principally engaged in the distribution of films, sub-licencing of film rights and sale of financial assets and property investment.

With the continuing growth of Macau's economy as well as its property market, the Directors (excluding the independent non-executive Directors who require the advice and recommendation of the independent financial adviser before opining on the Acquisition) believe that the Acquisition can enhance the investment portfolio and future earnings of the Group and thus in the interests of the Company and the Shareholders as a whole.

Furthermore, the Directors believe that the Acquisition would enable the Group to diversify its businesses and broaden its revenue base which would have a positive impact on the Group's profitability given the Directors' positive outlook of Macau hospitality sector in the near future.

Ms. Chen Ming Yin, Tiffany, an executive Director, represented the Company in the negotiations on the Acquisition.

## **GENERAL**

The Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is therefore subject to Shareholders' approval pursuant to Rule 14.49 of the Listing Rules. As the Vendor is a connected person (as defined in the Listing Rules) of the Company, the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition is subject to, among other things, the approval of the Independent Shareholders at the SGM. Classical Statue Limited, an indirect wholly-owned subsidiary of the Vendor and a substantial Shareholder, together with its associates shall abstain from voting at the SGM in respect of the resolution to approve the Acquisition. An independent financial adviser will be appointed to advise the Independent Board Committee in respect of the Acquisition. As Mr. Ho Wai Chi, Paul is also an independent non-executive director of the Vendor, Mr. Ho Wai Chi, Paul will not be a member of the Independent Board Committee.

**Completion of the Acquisition is subject to satisfaction and/or waiver of the conditions precedent in the S&P Agreement. As the Acquisition may or may not complete, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

Following Completion, the financials of Exceptional Gain and KHL will be consolidated into that of the Company. There will be no change in board composition of the Company as a result of the Acquisition. The Acquisition is not related to the very substantial acquisition announced by the Company on 23rd July, 2007.

A circular containing, among other things, further information in respect of the Acquisition, the letter of advice from the Independent Board Committee to Independent Shareholders and the recommendation of the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, the accountants' report of Exceptional Gain, the independent valuation report of the Kingsway Hotel, together with a notice convening the SGM will be despatched to the Shareholders as soon as practicable.

Trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 2nd August, 2007 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 9th August, 2007.

## **DEFINITIONS**

“Acquisition”	the proposed acquisition of a 100% interest in the issued share capital of Exceptional Gain and the Sale Loan;
“associate”	has the meaning as ascribed to it under the Listing Rules;
“Board”	board of Directors;
“Business Day”	a day (other than a Saturday or days on which a typhoon signal 8 or above or black rainstorm signal is hoisted in Hong Kong at 10:00 a.m.) on which banks in Hong Kong are generally open for business;
“China Star” or “Vendor”	China Star Entertainment Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange and a substantial Shareholder;
“Company”	Riche Multi-Media Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange;
“Completion”	the completion of the Acquisition;
“Consideration”	the consideration payable by the Purchaser for the Acquisition pursuant to the S&P Agreement, being HK\$447,000,000;

“Convertible Note”	the 0% per annum convertible note to be issued by the Company in the aggregate amount of HK\$447,000,000 to the Vendor (or as it may direct);
“Conversion Price”	the initial conversion price of HK\$1.00 per Conversion Share, subject to adjustment, pursuant to the terms of the Convertible Note;
“Conversion Period”	a period of 10 years from the date of issue of the Convertible Note;
“Conversion Share”	the Shares to be issued upon the exercise of the conversion rights in respect of the Convertible Note;
“Director(s)”	director(s) of the Company;
“Exceptional Gain”	Exceptional Gain Profits Limited, a wholly-owned subsidiary of China Star;
“Group”	the Company and its subsidiaries;
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Board Committee”	the independent board committee comprising Mr. Tang Chak Lam, Gilbert and Mr. Lien Wai Hung, all of whom are independent non-executive Directors to advise the Independent Shareholders on the Acquisition;
“Independent Shareholders”	Shareholders other than the Vendor and its associates;
“Independent Third Party”	person who himself is, and (in the case of corporate entity) its ultimate beneficial owners are, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, third parties who are not connected persons of the Company and are independent of the Company and its subsidiaries, their directors, chief executives and substantial shareholders or their respective associates (as that term is defined in the Listing Rules);
“KHL”	Kingsway Hotel Limited, a company incorporated in Macau whose principal asset is the Kingsway Hotel;

“Kingsway Hotel”	the hotel building (comprising the portions being operated as a hotel under the name of Kingsway Hotel and the commercial podium having a covered floor area of about 18,165.76 sq.m.) situate at Rua De Luis Gonzaga Gomes No.176-230, Rua De Nagasaki No.64-A-82, Rua De Xiamen No.37-A-59, Macau (including all appurtenances thereto, all furniture, fittings, equipment, furnishing, operating equipment and inventories and other tangible articles used in connection with Kingsway Hotel and the operation thereof);
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Macau”	Macau Special Administrative Region of the People’s Republic of China;
“Noteholder”	holder of the Convertible Note;
“Placing”	the placing of 173,000,000 existing Shares by the Company as announced on 25th July, 2007;
“Purchaser”	Legend Rich Limited, a wholly-owned subsidiary of the Company;
“Sale Loan”	all obligations, liabilities and debt owing by Exceptional Gain to the Vendor amounted to approximately HK\$409,222,000 as at the date of the S&P Agreement;
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“SGM”	a special general meeting of the Company to be convened and held to consider and, if thought fit, to approve, among other things, the Acquisition;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“S&P Agreement”	a conditional sale and purchase agreement entered into between the Purchaser, the Company and the Vendor dated 1st August, 2007 in respect of the Acquisition;
“Top-Up”	the top-up of 173,000,000 Shares by Classical Statue Limited in connection with the Placing; and
“%”	per cent.

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

Hong Kong, 8th August, 2007

*As at the date of this announcement, the Board comprises two executive Directors namely, Mr. Heung Wah Keung, Ms. Chen Ming Yin, Tiffany and three independent non-executive Directors namely, Mr. Tang Chak Lam, Gilbert, Mr. Ho Wai Chi, Paul and Mr. Lien Wai Hung.*