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If you have sold or transferred all your shares in Riche Multi-Media Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.



RICHE MULTI-MEDIA HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

REFRESHMENT OF GENERAL MANDATE TO ALLOT AND ISSUE SECURITIES; REFRESHMENT OF THE SCHEME MANDATE LIMIT AND NOTICE OF SPECIAL GENERAL MEETING

Independent Financial Adviser

to the Independent Board Committee and the Independent Shareholders



大華證券(香港)有限公司
GRAND CATHAY SECURITIES (HONG KONG) LIMITED

A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on page 14 of this circular. A letter from the Independent Financial Adviser setting out its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on page 15 to 22 of this circular.

A notice convening the special general meeting of Riche Multi-Media Holdings Limited to be held at Unit 3408, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong on Friday, 12 October 2007 at 4:00 p.m. is set out on pages 23 to 26 of this circular. Whether or not you intend to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

24 September 2007

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DEFINITIONS

In this circular, the following expressions have the meanings respectively set opposite them unless the context otherwise requires:

- “Acquisition” the proposed acquisition of a 100% interest in the issued share capital of Modern Vision as announced by the Company on 23 July 2007;
- “AGM” the annual general meeting of the Company held on 29 June 2007;
- “associate(s)” 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;
- “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;
- “Director(s)” director(s) of the Company;
- “Eligible Persons” means:
- (i) (a) any director or proposed director (whether executive or non-executive, including any independent non-executive director), employee or proposed employee (whether full time or part time) of, or
 - (b) any individual for the time being seconded to work for,
- any member of the Group or any controlling Shareholder or any company controlled by a controlling Shareholder; or

DEFINITIONS

- (ii) any holder of any securities issued by any member of the Group or any controlling Shareholder or any company controlled by a controlling Shareholder; or
- (iii)
 - (a) any business or joint venture partner, contractor, agent or representative of,
 - (b) any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to,
 - (c) any supplier, producer or licensor of films, television programmes, video features, goods or services to,
 - (d) any customer, licensee (including any sub-licensee) or distributor of films, television programmes, video features, goods or services of, or
 - (e) any landlord or tenant (including any sub-tenant) of,any member of the Group or any controlling Shareholder or any company controlled by a controlling Shareholder;

and, for the purposes of the Share Option Scheme, shall include any company controlled by one or more persons belonging to any of the above classes of participants;

“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, Mr. Ho Wai Chi, Paul and Mr. Lien Wai Hung, all of whom are independent non-executive Directors, to advise the Independent Shareholders on the refreshment of the general mandate to allot and issue securities;
“Independent Financial Adviser”	Grand Cathay Securities (Hong Kong) Limited, a licensed corporation registered under the SFO to carry on types 1, 6 and 9 regulated activities as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the refreshment of the general mandate to allot and issue securities;

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“Independent Shareholders”	Shareholders other than Mr. Heung and Ms. Chen and their respective associates (including Classical Statue Limited);
“Latest Practicable Date”	20 September 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Modern Vision”	Modern Vision (Asia) Limited, a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Ms. Chen;
“Mr. Heung”	Mr. Heung Wah Keung, an executive Director;
“Ms. Chen”	Ms. Chen Ming Yin, Tiffany, an executive Director;
“New General Mandate”	the general mandate proposed to be granted to the Directors at the SGM to allot and issue securities not exceeding 20% of the issued share capital of the Company at the date of passing such resolution at the SGM;
“Options”	share options issued or to be issued by the Company under the Share Option Scheme;
“Scheme Mandate Limit”	the total number of Shares (being up to 10% of Shares in issue at the date of the special general meeting) which may be issued upon exercise of all options to be granted under the Share Option Scheme as at the date of adoption of the Share Option Scheme or as refreshed;
“SFO”	Securities and Futures Ordinance, (Cap. 571 of the Laws of Hong Kong);
“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 refreshment of the general mandate to allot and issue securities and the refreshment of the Scheme Mandate Limit, a notice of which is set out on pages 23 to 26 of this circular;
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;

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“Share Consolidation”	the consolidation of every ten issued and unissued ordinary shares of HK\$0.01 each in the share capital of the Company into one issued and unissued ordinary share of HK\$0.10 each as taken effect on 21 May 2007;
“Share Option Scheme”	the share option scheme adopted by the Company on 21 January 2002;
“Share Subdivision”	the subdivision of every one issued and unissued ordinary share of HK\$0.10 in the share capital of the Company into ten issued and unissued ordinary shares of HK\$0.01 each as taken effect on 17 January 2005;
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong; and
“%”	per cent.

LETTER FROM THE BOARD



RICHE MULTI-MEDIA HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

Executive Directors:

Mr. Heung Wah Keung

Ms. Chen Ming Yin, Tiffany

Independent non-executive Directors:

Mr. Tang Chak Lam, Gilbert

Mr. Ho Wai Chi, Paul

Mr. Lien Wai Hung

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Head office and principal place of business
in Hong Kong:*

Unit 3408, Shun Tak Centre

West Tower

168-200 Connaught Road Central

Hong Kong

24 September 2007

To the Shareholders

Dear Sir or Madam,

**REFRESHMENT OF GENERAL MANDATE
TO ALLOT AND ISSUE SECURITIES;
REFRESHMENT OF THE SCHEME MANDATE LIMIT AND
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

The Board proposes to refresh (i) the general mandate for the Directors to exercise the powers of the Company to allot and issue securities not exceeding 20% of the issued share capital of the Company as at the date of the SGM; and (ii) the Scheme Mandate Limit for the Directors to exercise the powers of the Company to grant Options entitling holders thereof to subscribe for Shares not exceeding 10% of the issued share capital of the Company as at the date of the SGM.

LETTER FROM THE BOARD

As the refreshment of the general mandate to allot and issue securities is proposed to the Shareholders prior to the Company's next annual general meeting, the grant of the New General Mandate will be subject to Independent Shareholders' approval by way of poll at the SGM pursuant to Rule 13.36(4)(a) of the Listing Rules.

The Independent Board Committee, comprising all three independent non-executive Directors, has been formed to advise the Independent Shareholders in respect of the refreshment of the general mandate to allot and issue securities. Grand Cathay Securities (Hong Kong) Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect thereof.

The purpose of this circular is (i) to provide information in respect of the grant of New General Mandate and the refreshment of the Scheme Mandate Limit, 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 grant of the New General Mandate; and (ii) to give you a notice of the SGM at which resolutions will be proposed to consider, and if thought fit, approve, inter alia, the refreshment of the general mandate to allot and issue securities and the refreshment of the Scheme Mandate Limit.

REFRESHMENT OF GENERAL MANDATE TO ALLOT AND ISSUE SECURITIES

At the special general meeting of the Company dated 18 May 2007 (the "First SGM"), the Independent Shareholders approved, among other things, an ordinary resolution to grant to the Directors to allot, issue and deal with up to 162,103,994 Shares (adjusted for Share Consolidation), representing 20% of the issued share capital of the Company at the date of the First SGM (the "First General Mandate"). The First General Mandate had been utilised by the placing of 162,100,000 new Shares, representing 99.998% of the First General Mandate, as disclosed in the announcement of the Company dated 25 June 2007.

At the AGM, the Shareholders approved, among other things, an ordinary resolution to grant to the Directors to allot, issue and deal with up to 193,227,994 Shares, representing 20% of the issued share capital of the Company at the date of the AGM (the "Existing General Mandate"). The Existing General Mandate had been utilised by the top-up placing of 173,000,000 new Shares (the "Placing"), representing 89.53% of the Existing General Mandate, as disclosed in the announcement of the Company dated 25 July 2007.

LETTER FROM THE BOARD

Immediately following completion of the Placing, only 20,227,994 new Shares, representing 10.47% of the Existing General Mandate, could be further allotted and issued under the Existing General Mandate. The Directors will therefore seek the approval of the Independent Shareholders by a resolution at the SGM for refreshment of the general mandate to the Directors to exercise the powers of the Company to allot and issue securities not exceeding 20% of the issued share capital of the Company as at the date of passing the relevant resolution at the SGM.

Based on 1,301,239,974 Shares in issue as at the Latest Practicable Date and assuming that no outstanding Options are exercised and no further Shares are repurchased or issued prior to the date of the SGM, subject to the passing of the relevant ordinary resolutions to approve the refreshment of general mandate at the SGM, the Directors will be authorised to allot and issue up to a limit of 260,247,994 Shares under the New General Mandate.

The refreshment of the general mandate to allot and issue securities is proposed to the Shareholders prior to the Company's next annual general meeting, and therefore, pursuant to Rule 13.36(4) of the Listing Rules, the refreshment will be subject to the Independent Shareholders' approval by way of poll at the SGM, and the Directors, Mr. Heung and Ms. Chen and their respective associates (including Classical Statue Limited of which Mr. Heung and Ms. Chen are the only directors), are required to abstain from voting in favour thereon.

The Directors believe that it is in the interests of the Company and its Shareholders as a whole if the New General Mandate is granted at the SGM. The need for an issue of securities under the New General Mandate could, for example, arise in the context of a transaction, such as an acquisition by the Group where securities are to be issued as consideration, which has to be completed speedily. Save for the proposed acquisitions of:

- (a) a 100% interest in the issued share capital of Modern Vision (Asia) Limited as disclosed in the Company's announcement dated 23 July 2007; and
- (b) a 100% interest in the issued share capital of Exceptional Gain Profits Limited ("Exceptional Gain") and a sale loan owing by Exception Gain to China Star Entertainment Limited as disclosed in the Company's announcement dated 8 August 2007,

the Directors currently have no intention of any acquisition by the Company nor any concrete plan for raising capital by issuing new securities. In this respect, the Company will comply with the relevant requirements of the Listing Rules.

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Save as disclosed below, the Company has not conducted any fund raising activities in the past 12 months before the Latest Practicable Date:

Date of announcement	Event	Net proceeds (approximately)	Intended use of proceeds as announced	Actual use of proceeds
25 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 23 July 2007	Fully utilised on the deposit payment on the Acquisition
25 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 Acquisition
10 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 Acquisition
19 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 Acquisition

LETTER FROM THE BOARD

REFRESHMENT OF THE SCHEME MANDATE LIMIT

Pursuant to a resolution passed at the special general meeting of the Company held on 21 January 2002, the Share Option Scheme was adopted and the old share option scheme was terminated.

The purpose of the Share Option Scheme is to provide incentives and rewards to Eligible Persons for their contribution or potential contribution to the Group. The exercise price of an Option must be the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a Business Day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Day immediately preceding the date of grant; and (iii) the nominal value of the Share.

Apart from the Share Option Scheme, the Company has no other share option scheme in place as at the Latest Practicable Date.

Share Option Scheme

Pursuant to the Share Option Scheme, the total number of Shares which may be issued upon exercise of all Options to be granted by the Company under the Share Option Scheme and any other options to be granted by the Company under any other share option schemes of the Company must not in aggregate exceed 10% of the Shares in issue as at the date of approval of the Share Option Scheme (being the "Scheme Mandate Limit"). Options, lapsed in accordance with the terms of the Share Option Scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit. The Scheme Mandate Limit may be refreshed by Shareholders in general meeting from time to time.

At the AGM, the Scheme Mandate Limit was refreshed to allow the Company to grant Options entitling holders to subscribe for Shares not exceeding 10% of the issued share capital of the Company as at the date of approving the refreshment, which amounted to 96,613,997 Options.

On 11 July 2007, the Company granted a total of 98,536,994 Options to certain Eligible Persons to allow them to subscribe for 98,536,994 Shares, which represented 100% of the Scheme Mandate Limit as refreshed at the AGM and approximately 2.37% of the remaining Scheme Mandate Limit as refreshed at the First SGM.

Up to the Latest Practicable Date, the Company has granted an aggregate of 272,705,995 Options under the Share Option Scheme pursuant to the Scheme Mandate Limit as last refreshed on 14 January 2005, 18 May 2007 and 29 June 2007. 32,400,000 Options and 950,000 Options were exercised and cancelled respectively, and no Option was lapsed under the Share Option Scheme.

LETTER FROM THE BOARD

Therefore, as at the Latest Practicable Date, there are 239,355,994 Options outstanding and unexercised under the Share Option Scheme to which holders were entitled to subscribe for 239,355,994 Shares.

Details of the refreshments of the Scheme Mandate Limit and Options granted, exercised, lapsed and outstanding as at the Latest Practicable Date are summarised as follows:

Date of adoption of Share Option Scheme (A)/date of refreshment of the Scheme Mandate (R)	Number of Shares that may be issued pursuant to all Options to be granted under the Share Option Scheme and the Scheme Mandate Limit		Number of Options granted	Number of Options exercised	Number of Options cancelled	Number of Options outstanding as at the Latest Practicable Date
	Mandate Limit	Date of grant				
21 January 2002 (A)	47,520,000*	8 March 2002	19,950,000	—	(950,000)	19,000,000
		13 December 2004	27,570,000	—	—	27,570,000
14 January 2005 (R)	47,520,000**	22 March 2007	47,520,000	(32,400,000)	—	15,120,000
18 May 2007 (R)	81,051,997**	31 May 2007	79,129,000	—	—	79,129,000
		11 July 2007	1,922,997	—	—	1,922,997
29 June 2007 (R)	96,613,997	11 July 2007	96,613,997	—	—	96,613,997
	<u>272,705,994</u>		<u>272,705,994</u>	<u>(32,400,000)</u>	<u>(950,000)</u>	<u>239,355,994</u>

* adjusted for the Share Subdivision and the Share Consolidation

** adjusted for the Share Consolidation

As 100% of the Scheme Mandate Limit of 96,613,997 Options as refreshed on 29 June 2007 has been used, the Directors are of the view that in order to provide incentives and rewards to the Eligible Persons for their contribution or potential contribution to the Group by granting Options to them, the Scheme Mandate Limit shall be refreshed to provide the Company with greater flexibility on recruiting and retaining high-calibre employees and attracting human resources that are valuable to the Group.

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As at the Latest Practicable Date, there were 1,301,239,974 Shares in issue. Assuming there is no further allotment and issue of Shares and no outstanding Options are exercised, upon the granting of a refreshment of the Scheme Mandate Limit by the Shareholders at the SGM, the Scheme Mandate Limit (as refreshed) will allow the Company to grant Option entitling holders thereof to subscribe for Shares not exceeding 10% of the issued share capital of the Company as at the date of approving the refreshment of the Scheme Mandate Limit which are 130,123,997 Shares.

The limit on the number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and any other share option schemes adopted by the Company must not exceed 30% of the Shares in issue from time to time. As at the Latest Practicable Date, such number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and any other share option schemes adopted by the Company does not exceed 30% of the Shares in issue.

The refreshment of the Scheme Mandate Limit is conditional upon:

1. the passing by the Shareholders of an ordinary resolution at the SGM to approve, among other things, the refreshment of the Scheme Mandate Limit; and
2. the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, 10% of the Shares in issue at the date of approval of the refreshment of the Scheme Mandate Limit which may be issued pursuant to the exercise of Options to be granted under the Share Option Scheme.

Application will be made to the Listing Committee of the Stock Exchange for the grant of listing of, and permission to deal in, 10% of the Shares in issue at the date of approval of the refreshment of the Scheme Mandate Limit which may be issued pursuant to the exercise of Options to be granted under the Share Option Scheme.

PROCEDURES FOR DEMANDING A POLL

Pursuant to bye-law 66 of the bye-laws of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded by:

- (i) the chairman of the meeting; or
- (ii) at least three Shareholders present in person or, in the case of a Shareholder being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or

LETTER FROM THE BOARD

- (iii) Shareholder or Shareholders present in person or, in the case of a Shareholder being a corporation by its duly authorised corporate representative or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (iv) Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised corporate representative or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

THE SGM

A notice convening the SGM to be held at Unit 3408, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong on Friday, 12 October 2007 at 4:00 p.m. for the purpose of considering and, if thought fit, passing the ordinary resolutions to approve the grant of the New General Mandate and the refreshment of the Scheme Mandate Limit are set out on pages 23 to 26 of this circular.

Pursuant to Rule 13.36(4)(a) of the Listing Rules, the grant of the New General Mandate requires the approval of the Independent Shareholders by poll at the SGM. Since there is no controlling Shareholder, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates, who are Mr. Heung and Ms. Chen and their respective associates (including Classical Statue Limited of which Mr. Heung and Ms. Chen are the only directors), shall abstain from voting in favour thereon.

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, no Shareholder is required to abstain from voting for the refreshment of the Scheme Mandate Limit at the SGM. The resolutions in respect of the refreshment of the Scheme Mandate Limit will be voted on a show of hands unless a poll is demanded in accordance with byelaw 66 of the bye-laws of the Company which provision is summarised under the paragraph headed "Procedures for demanding a poll" in this circular.

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the meeting in person, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Standard Registrars Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, the branch share registrar and transfer office of the Company in Hong Kong and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of a form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

LETTER FROM THE BOARD

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the opinion that the grant of New General Mandate and the refreshment of the Scheme Mandate Limit are in the interests of the Company and the Shareholders as a whole. The Independent Board Committee, having taken into account of the advice of the Independent Financial Adviser, considers the grant of New General Mandate is in the interests of the Company and its Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Directors (including the independent non-executive Directors) recommend that the Shareholders and the Independent Shareholders, as the case may be, should vote in favour of the ordinary resolutions proposed at the SGM.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 14 of this circular and the letter from the Independent Financial Adviser set out on pages 15 to 22 of this circular.

Yours faithfully,
For and on behalf of
Riche Multi-Media Holdings Limited
Heung Wah Keung
Chairman



RICHE MULTI-MEDIA HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

24 September 2007

To the Independent Shareholders

Dear Sir or Madam,

**REFRESHMENT OF GENERAL MANDATE
TO ISSUE AND ALLOT SECURITIES**

We refer to the circular dated 24 September, 2007 issued by the Company (the “Circular”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used therein unless the context requires otherwise.

We have been appointed to the Independent Board Committee to advise you in connection with the grant of New General Mandate, details of which are set out in the letter from the Board in the Circular. Grand Cathay Securities (Hong Kong) Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the grant of New General Mandate. Details of the advice from the Independent Financial Adviser together with the principal factors and reasons taken into consideration in arriving at such advice are set out on pages 15 to 22 of the Circular.

Having considered the principal factors and reasons considered by and the advice of the Independent Financial Adviser, we consider that the grant of New General Mandate is in the interests of the Company and its Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the grant of New General Mandate.

Yours faithfully,
Independent Board Committee

Mr. Tang Chak Lam, Gilbert

Mr. Ho Wai Chi, Paul

Mr. Lien Wai Hung

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice to the Independent Board Committee and the Independent Shareholders from the Independent Financial Adviser prepared for incorporation in this circular.



大華證券(香港)

GRAND CATHAY SECURITIES (HONG KONG) LIMITED

香港中環花園道3號中國工商銀行大廈7樓705至706室

Room 705-706, 7/F., ICBC Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong

Tel: 852-2521-2982 Fax:852-2521-0085 www.gcsc.com.tw

24 September 2007

*To the Independent Board Committee and
the Independent Shareholders*

Riche Multi-Media Holdings Limited

Dear Sirs,

REFRESHMENT OF GENERAL MANDATE TO ALLOT AND ISSUE SECURITIES

INTRODUCTION

We refer to our engagement as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed refreshment of general mandate to allot and issue securities, particulars of which are set out in the letter from the Board (the “Letter from the Board”) of this circular dated 24 September 2007 (the “Circular”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

As stated in the Letter from the Board, the Board proposes, inter alia, to refresh the general mandate for the Directors to exercise the powers of the Company to allot and issue securities not exceeding 20% of the issued share capital of the Company as at the date of the SGM.

Pursuant to Rule 13.36(4) of the Listing Rules, the grant of the New General Mandate is subject to the approval of the Independent Shareholders at the SGM by way of poll with the controlling Shareholders and their associates or, where there are no controlling Shareholders, Directors (excluding the independent non-executive Directors) and the chief executive and their respective associates abstain from voting in favour.

Since there is no controlling Shareholder, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates, who are Mr. Heung and Ms. Chen and their respective associates (including Classical Statue Limited), shall abstain from voting in favour thereon.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising Mr. Tang Chak Lam, Gilbert, Mr. Lien Wai Hung and Mr. Ho Wai Chi, Paul, all being independent non-executive Directors, has been established to advise the Independent Shareholders as to whether the grant of the New General Mandate is fair and reasonable and is in the interests of the Company and the Shareholders as a whole. We, Grand Cathay Securities (Hong Kong) Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information, opinion and representations contained or referred to in the Circular and the information, opinion and representations provided to us by the management of the Company and the Directors. We have assumed that all information and representations contained or referred to in the Circular and all information and representations which have been provided by the management of the Company and the Directors, for which they are solely and wholly responsible, were true, accurate and complete at the time when they were made and continue to be so at the date hereof.

Accordingly, we have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and representations contained in the Circular, or the reasonableness of the opinions expressed by the management of the Company and the Directors provided to us. The Directors collectively and individually accept full responsibility for the accuracy of the information in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in the Circular misleading. Furthermore, we relied on that the Company has provided us sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have relied on such information and opinions but have not, however, conducted any independent in-depth investigation into the business, financial conditions and affairs or the future prospects of the Group.

PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion regarding the refreshment of the general mandate to allot and issue securities, we have considered the following principal factors and reasons:

1. Background of and reasons for the refreshment of the general mandate

The Group is principally engaged in the distribution of films, sub-licencing of film rights and sale of financial assets and property investment.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We understand that the Directors were authorised to allot and issue up to 193,227,994 Shares pursuant to the Existing General Mandate which was granted by the Shareholders at the annual general meeting of the Company held on 29 June 2007.

On 25 July 2007, the Company announced that a top-up placing agreement were entered into by the Company and pursuant to which, a total of 173,000,000 new Shares were issued upon the completion of the top-up placing. Pursuant to the Company's announcement dated 25 July 2007, the net proceeds of approximately HK\$139.8 million from the top-up placing is intended to be used for expansion of the property investment business of the Group as set out in the Letter from the Board.

As a result of the top-up placing, the Existing General Mandate was substantially utilised as to 173,000,000 Shares, representing approximately 89.53% of the Existing General Mandate. If the New General Mandate is not granted, only 20,227,994 Shares may be allotted and issued by the Directors under the Existing General Mandate.

In this regard, the Board therefore proposes an ordinary resolution to the Independent Shareholders in accordance with Rule 13.36(4) of the Listing Rules for the granting of the New General Mandate at the SGM, by which if passed, will allow the Directors to exercise the powers of the Company to allot and issue securities not exceeding 20% of the issued share capital of the Company as at the date of the SGM. Based on the total number of 1,301,239,974 Shares in issue as at the Latest Practicable Date and assuming that no Shares are purchased and issued prior to the SGM, it is anticipated that the Directors will granted the power to allot and issue further 260,247,994 Shares, representing 20% of the issued share capital of the Company as at the date of the SGM, under the New General Mandate if it is approved by the Independent Shareholders at the SGM.

2. Financing requirement

According to the Company's announcement dated 23 July 2007 and 8 August 2007, the total capital requirement for the two acquisitions are HK\$1,131 million, in which HK\$447 million (for the acquisition of 100% interest in the issued share capital of Exceptional Gain Profits Limited and the respective sale loan) was satisfied by the issue of the convertible note by the Company. Besides, according to the Company's announcements dated 19 March 2007, 10 April 2007, 25 June 2007 and 25 July 2007, the Company has raised approximately HK\$352.5 million in total for the capital requirement of the aforesaid two acquisitions. Therefore, assuming the aforesaid fund raising exercises are completed, the Group will still need approximately HK\$331.5 million for the acquisitions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Fund raising activities of the Company

According to the information provided by the Directors, we have summarised the fund raising activities of the Company during the past 12 months immediately preceding the Latest Practicable Date in the following table:

Date of announcement	Event	Net Proceeds (approximately)	Intended use of proceeds as announced	Actual use of proceeds
8 August 2007	Issue of zero coupon unsecured convertible note due 2017 of an aggregate principal amount of HK\$447 million	HK\$447 million	For the payment of acquisition of 100% interest in Exceptional Gain Profits Limited and the respective sale loan	The transaction has not yet been completed
25 July 2007	Top-up placing	HK\$139.8 million	For the expansion of property investment business	Fully utilised on the deposit payment on the proposed acquisition of 100% equity interest in Modern Vision (Asia) Limited
25 June 2007	Placing of 162,100,000 new Shares under general mandate	HK\$78.9 million	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
10 April 2007	Placing of 155,620,000 new Shares	HK\$83.30 million	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
19 March 2007	Placing of 129,686,000 existing Shares and subscription of 129,686,000 new Shares	HK\$50.5 million	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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated in the above table, the Company has a successful track record of completing four fund raising exercises. As far as the use of proceeds from the four fund raising exercises illustrated in the above table is concerned, we noted that the actual use of proceeds was in line with the intended use of proceeds save for the issue of zero coupon unsecured convertible note as announced on 8 August 2007 as the transaction has not yet been completed.

As stated in the Company's annual report for the year ended 31 December 2006, the bank balance (together with cash) and the total indebtedness of the Group amounted to approximately HK\$63.1 million and HK\$357.4 million respectively as at 31 December 2006. Taking into sole account of completion of the fund raising exercises that involve the issuance of new Shares illustrated in the above table, we understand from the Directors that the bank balance, together with cash, and the current ratio (current assets/current liabilities) of the Group would increase, and accordingly the gearing ratio (total liabilities/total equity) of the Group would decrease.

Despite such improvements and after taking into account the nature of the Group's core business of distribution of films, sub-licensing of film rights and sale of financial assets and property investment, we consider that it is prudent for the Directors to proposed the refreshment of the general mandate to issue securities in the SGM in order to give the Company greater flexibility in the issuance of securities in future as and when the Company considers desirable for the benefit of the development of the Company. Moreover, we concur with the view of the Director that the refreshment of general mandate will increase the amount of capital which may be raised thereunder and provides one more option to the Group for financing further development of its business as well as other investments/acquisitions as and when such opportunities arise which will provide greater flexibility to the deployment of the Group's financial resources.

According to the Directors, the fund to be raised by the issuance of securities under the General Mandate may most probably be used for financing the Groups' existing property investment business, but it may also be used as general working capital. We consider that the above stated is reasonable given the nature of the Group's business and the recent fund requirement as stated in the section "Financing requirement" above and, therefore, concur with the Directors' view.

4. Substantial utilisation of the Existing General Mandate

Since the AGM up to the Latest Practicable Date, 173,000,000 Shares were issued under the Existing General Mandate. Accordingly, a major portion (representing approximately 89.53%) of the Existing General Mandate of 193,227,994 Share were utilised. As a result, only 20,227,994 Shares could further be issued under the Existing General Mandate, which represents approximately 1.55% of the total issued share capital of the Company as at the Latest Practicable Date.

Given that the Existing General Mandate was granted in the AGM, we have been advised by the Directors that the next annual general meeting will not be held until around the end of June 2008, which is about almost 1 year away from the Latest Practicable Date. In addition, the date of the next general meeting is an uncertainty as it is the Directors' expectation. If the Existing General Mandate (which was almost fully utilised) is not to be refreshed in the SGM, the Company will not have sufficient general mandate, if so required to be utilised, until the general mandate is approved in the next annual general meeting.

We understand that it is the Directors' belief that the refreshment of the general mandate to allot and issue securities will provide the Company with an additional alternative of equity funding when there is funding requirement or when any business opportunities arise in the future. It is anticipated that the refreshment of the general mandate to allot and issue securities could enhance the financing flexibility of the Company to raise equity fund, if and when required, by way of issue of new Shares or other convertible instruments for further development of the Group. In addition, the Directors consider that if investment or acquisition opportunities arise, it would be possible that decisions may have to be made within a limited period of time. The refreshment of the general mandate to allot and issue securities would provide the Group with higher degree of flexibility to issue new Shares or other convertible instruments as allowed under the Listing Rules as consideration or otherwise for such potential investments and/or acquisitions in the future as and when such opportunities arise.

On the above basis, we consider there are acceptable grounds for the Directors to propose the refreshment of the general mandate to allot and issue securities in the SGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5. Potential dilution to shareholding interests of the Independent Shareholders

Based on information available from public source and from the Directors, we set out below a table setting out the shareholding structure of the Company as at the Latest Practicable Date and the date upon full utilisation of the New General Mandate:

	As at the		Upon full utilisation of the	
	Latest Practicable Date		New General Mandate	
	<i>(No. of Shares)</i>	<i>%</i>	<i>(No. of Shares)</i>	<i>%</i>
Classical Statue				
Limited (<i>Note 1</i>)	276,351,000	21.24	276,351,000	17.70
Northbay Investments				
Holdings Limited				
(<i>Note 2</i>)	129,492,174	9.95	129,492,174	8.29
Public Shareholders	895,396,800	68.81	895,396,800	57.34
Shares issued under				
the New General				
Mandate	—	—	260,247,994	16.67
Total	1,301,239,974	100.00	1,561,487,968	100.00

Source: www.hkex.com.hk

Notes:

- Classical Statue Limited is an indirect wholly-owned subsidiary of China Star Entertainment which is listed on the Stock Exchange. Mr. Heung Wah Keung and Ms. Chen Ming Yin, Tiffany, both being the executive directors of China Star Entertainment Limited, are the only directors of Classical Statue Limited.
- 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 owners do not hold any management position or directorship in the Company. Save for being a substantial Shareholder, Northbay Investments Holdings Limited and Classical Statue Limited have no other connection with each other.

Assuming the (i) the refreshment of the general mandate to allot and issue securities will be approved at the SGM; (ii) no Shares will be repurchased and no new Shares will be issued from the Latest Practicable Date up to the date of the SGM (both dates inclusive); and (iii) upon full utilisation of the New General Mandate, 260,247,994 Shares are to be issued, representing 20% and approximately 16.67% of the existing issued share capital as at the Latest Practicable Date and the enlarged issued share capital of the Company respectively. The aggregate shareholding of the existing public Shareholders will be diluted from approximately 68.81% to 57.34% upon full utilisation of the New General Mandate.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Taking into consideration that the refreshment of the general mandate to allot and issue securities will increase the amount of capital which may be raised thereunder and provide one more option to the Group for financing further development of its business as well as other investments/acquisitions as and when such opportunities arise and the fact that the shareholding of all the Shareholders will be diluted to the same extent upon any utilisation of the New General Mandate, we consider that the potential dilution to the Shareholding of the Shareholders is acceptable.

Shareholders should note that the Existing General Mandate will be revoked upon approval at the SGM of the New General Mandate which will be and continue to be in force until the earliest of (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company, the Companies Act (1981) of Bermuda (as amended) or any applicable laws of Bermuda to be held; and (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company under this resolution. Such duration is in compliance with the Listing Rules.

RECOMMENDATION ON THE REFRESHMENT OF GENERAL MANDATE

Having considered the above principal factors, we are of opinion that the refreshment of the general mandate to allot and issue securities are fair and reasonable so far as the Independent Shareholders are concerned and the refreshment of the general mandate is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders, and also recommend the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution approving the refreshment of the general mandate at the SGM.

Yours faithfully,
For and on behalf of
Grand Cathay Securities (Hong Kong) Limited

Kim Chan
Director

Kevin Chan
Director



RICHE MULTI-MEDIA HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

NOTICE IS HEREBY GIVEN that the Special General Meeting of Riche Multi-Media Holdings Limited (the “Company”) will be held at Unit 3408, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong on Friday, 12 October 2007 at 4:00 p.m. for the purpose of consideration and, if thought fit, passing with or without modification the following resolution as Ordinary Resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the general mandate granted to the directors of the Company to exercise the powers of the Company to allot, issue and deal with securities of the Company as approved by the shareholders of the Company at the annual general meeting of the Company held on 29 June 2007 be and is hereby revoked (without prejudice to any valid exercise of such general mandate prior to the passing of this resolution);
- (b) subject to paragraph (d) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the share capital of the Company (“Shares”) and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into Shares) which would or might require the exercise of such powers during or after the end of the Relevant Period, subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;
- (c) the approval in paragraph (b) above shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into Shares) which would or might require the exercise of such powers after the end of the Relevant Period;

NOTICE OF THE SGM

- (d) the aggregate nominal amount of share capital of the Company allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to:
 - (i) a Rights Issue (as hereinafter defined); or
 - (ii) an issue of Shares upon the exercise of rights of subscription or conversion attaching to any warrants issued by the Company or any securities which are convertible into Shares, the issue of which warrants and other securities has previously been approved by shareholders of the Company; or
 - (iii) an issue of Shares upon the exercise of any options granted under any share option scheme or similar arrangement for the time being adopted for the grant or issue to eligible persons of Shares or rights to acquire Shares; or
 - (iv) an issue of Shares as scrip dividends or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the bye-laws of the Company, shall not in total exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution and the said approval shall be limited accordingly; and
- (e) for the purpose of this resolution, “Relevant Period” means the period from the date of passing of this resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company, the Companies Act (1981) of Bermuda (as amended) or any applicable laws of Bermuda to be held; and
 - (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company under this resolution.

“Rights Issue” means an offer of Shares or an offer of warrants, options or other securities giving rights to subscribe for Shares, open for a period fixed by the directors of the Company to holders of Shares or any class thereof whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such Shares or any class thereof (subject to such exclusions or other arrangements as

NOTICE OF THE SGM

the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

2. “**THAT** conditional upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, 10% of the Shares in issue at the date of approval of this resolution which may be issued pursuant to the exercise of options to be granted under the share option scheme adopted by the Company on 21 January 2002 (the “Share Option Scheme”) and any other share option schemes of the Company, and pursuant to rule 4 of the rules of the Share Option Scheme, approval be and is hereby granted for “refreshing” the Scheme Mandate (as defined in the rules of the Share Option Scheme) under the Share Option Scheme provided that (i) the total number of Shares in the share capital of the Company which may be issued upon the exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company under the limit as “refreshed” hereby shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution; and (ii) options previously granted under the Share Option Scheme and any other share option schemes of the Company (including options outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) shall not be counted for the purpose of calculating the 10% limit as “refreshed” hereby.”

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

Hong Kong, 24 September 2007

Head office and principal place of business in Hong Kong:
Unit 3408,
Shun Tak Centre, West Tower
168-200 Connaught Road Central
Hong Kong

NOTICE OF THE SGM

Notes:

1. A form of proxy for use at the meeting is enclosed herewith.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.
3. Any shareholder of the Company entitled to attend and vote at the meeting convened by the above notice shall be entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.
4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Standard Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding of the above meeting or any adjournment thereof.
5. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the meeting convened or at any adjourned meeting and in such event, the form of proxy will be deemed to be revoked.
6. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting, the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand on the register of members of the Company in respect of the joint holding.