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RICHE MULTI-MEDIA HOLDINGS LIMITED

(Incorporated in the Bermuda with limited liability)
(Stock Code: 764)

VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE PROPOSED ACQUISITION OF 100% INTEREST IN THE ISSUED SHARE CAPITAL OF SHINHAN-GOLDEN FAITH INTERNATIONAL DEVELOPMENT LIMITED AND RESUMPTION OF TRADING

The Directors are pleased to announce that on 17th February, 2006, the S&P Agreement was entered into between the Purchaser and the Vendor, pursuant to which the Purchaser would acquire (i) 100% interest in Shinhan-Golden and (ii) the Sale Loan, at an aggregate consideration of approximately HK\$266,064,350. The Consideration shall be satisfied by the allotment and issue of the Consideration Shares.

The value of the Consideration Shares based on the closing price of the Shares on the Last Trading Date is HK\$266,064,349.

The Acquisition constitutes a very substantial acquisition of 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. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition. Accordingly, no Shareholder is required to abstain from voting on the resolution to approve the Acquisition at the SGM.

A circular containing, among other things, further information in respect of the Acquisition, the independent valuation report of the Property, together with a notice convening the SGM will be despatched to the Shareholders as soon as possible.

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Completion of the Acquisition is subject to various conditions precedent having been fulfilled failing which the Acquisition may not take place. Shareholders and investors should therefore exercise caution when trading in the Shares. A further announcement will be made as and when applicable.

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 20th February, 2006 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 24th February, 2006.

THE S&P AGREEMENT

Date: 17th February, 2006

Parties: (i) Purchaser: Riche (BVI) Limited, a wholly-owned subsidiary of the Company;
(ii) Vendor: Northbay Investments Holdings Limited, an investment holding company.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, the Vendor and its ultimate beneficial owner, Mr. Andrew Nan Sherrill are not connected persons (as defined in the Listing Rules) of the Company and are independent third parties not connected with the directors, chief executive and substantial shareholders of the Company, any of its subsidiaries and their respective associates.

The Acquisition

Pursuant to the S&P Agreement, the Purchaser has agreed to acquire and the Vendor has agreed to dispose of 100% interest in Shinhan-Golden and the Sale Loan. Shinhan-Golden has two subsidiaries one of which is JV Co. and the other is a dormant company.

Shinhan-Golden is an investment holding vehicle which holds a 96.7% equity interest in JV Co. JV Co. is the registered and beneficial owner of the Property located at Inner Jiangguo Gate of Dongcheng District, Beijing, the PRC (currently known as No. 9 Gongyuan Xijie, Dongcheng District, Beijing, the PRC) with land use right certificate number Shi Dong Zhong Wai Guo Yong (97) Zi Di no. 00347. The Property has a total constructed surface area of approximately 46,810 square meters and had been used as apartment buildings. The Property is currently under renovation and being transformed from an apartment complex into service apartments. The Property (which excludes 31 of 210 residential units and 22 of the 199 carparks previously sold between 1999 and 2001) was previously held for sale to the public. The Vendor has warranted to the Purchaser that (i) the total direct and indirect cost and expenses of the renovation shall not exceed RMB58,000,000 (approximately HK\$56,311,000); and (ii) that the total indebtedness of Shinhan-Golden and its subsidiaries (excluding the facilities mentioned below under the heading “Signing and Completion”, the Sale Loan and the total direct and indirect costs and expenses of the renovation) as at the Completion shall not be more than RMB300,000,000 (approximately 291,262,000). The RMB300,000,000 (approximately HK\$291,262,000) indebtedness mainly comprises bank loans of approximately RMB250,000,000 (approximately HK\$242,718,000), an amount due to Mr. Andrew Nan Sherrill, the beneficial owner of the Vendor and the legal representative of JV Co., of approximately RMB25,500,000 (approximately HK\$24,757,000), an amount due to Mr. Nan Pin Ren, a director of JV Co., of approximately RMB10,000,000 (approximately HK\$9,709,000) and an amount due to Gui Lin Gui Du Cement Co. Ltd. (桂林桂都混凝土有限公司) of approximately RMB4,100,000 (approximately HK\$3,981,000).

The Sale Loan amounted to approximately HK\$38,888,000 as at the date of the S&P Agreement, representing the amount advanced to Shinhan-Golden by the Vendor for the purpose of financing the operations of Shinhan-Golden.

Based on Shinhan-Golden's unaudited consolidated financial statements for the years ended 31st December, 2003 and 2004 which were prepared in accordance with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations, the unaudited consolidated net assets value of Shinhan-Golden as at 31st December, 2003 and 2004 were approximately HK\$107,350,000 and HK\$95,150,000 respectively. The unaudited consolidated loss before taxation and an extraordinary gain of Shinhan-Golden for the year ended 31st December, 2003 was approximately HK\$14,872,000. The unaudited profit after taxation and an extraordinary gain of Shinhan-Golden for the year ended 31st December, 2003 was approximately HK\$89,668,000. The extraordinary gain in 2003 of HK\$105,014,000 is as a result of a loan assignment from the then parent company of Shinhan-Golden. The unaudited loss attributable to Shinhan-Golden shareholders both before and after taxation and extraordinary items for the year ended 31st December, 2004 was approximately HK\$15,288,000.

Based on Shinhan-Golden's unaudited consolidated financial statements for the year ended 31st December, 2005 which were prepared in accordance with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations, the unaudited consolidated net assets value of Shinhan-Golden as at 31st December, 2005 was approximately HK\$55,755,000. The unaudited loss attributable to Shinhan-Golden shareholders both before and after taxation and extraordinary items for the years ended 31st December, 2005 was approximately HK\$58,832,000. The net book value of the Property as at 31st December, 2005 is approximately HK\$466,956,000. Further financial performance details on Shinhan-Golden will be included in the Circular.

Consideration

The Consideration, being HK\$266,064,348.98, was determined between the Purchaser and the Vendor on a "willing buyer — willing seller" basis having regards to (i) the amount paid by the Vendor in acquiring Shinhan-Golden of approximately HK\$222,200,000 plus amounts advanced to Shinhan-Golden and other ancillary expenses of approximately HK\$305,000 and (ii) a valuation conducted on the Property in mid 2003 by an independent property valuer valuing the Property at approximately RMB884,000,000 (approximately HK\$858,252,000), taking into account a renovation fee of RMB88,000,000 (approximately HK\$85,437,000). No property valuation had been conducted by the Purchaser on the Property. The Directors, including the independent non-executive Directors, consider that the terms of the S&P Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. The Directors believe that given that a fairly high valuation (ie. HK\$858,252,000) had been placed on the Property during the Severe Acute Respiratory Syndrome crisis period in 2003, the Consideration is fair and reasonable. In any event, a property valuation will be conducted for the purpose of the Circular and Shareholders should therefore refer to those figures for reference.

The Consideration will be settled by the allotment and issue by the Company of the Consideration Shares credited as fully paid. The Consideration Shares representing approximately 25.81% of the issued share capital of the Company as at the date of this Announcement and approximately 20.52% of the enlarged share capital of the Company taking into account the Consideration Shares. The value of the Consideration Shares based on the closing price of the Shares on the Last Trading Date is HK\$266,064,349.

Conditions

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

- (i) the Purchaser being satisfied in its absolute discretion with the results of the due diligence review to be conducted on Shinhan-Golden and its subsidiaries relating to their assets, liabilities, operations and affairs;
- (ii) the passing by the Shareholders at a general meeting of the Company to be convened and held of an ordinary resolution to approve the S&P Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Consideration Shares to the Vendor credited as fully paid;
- (iii) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Consideration Shares; and
- (iv) if necessary, the Bermuda Monetary Authority granting consent to the allotment and issue of the Consideration Shares.

If the conditions of the S&P Agreement are not fulfilled, or waived in whole or in part by the Purchaser in writing, in its absolute discretion by no later than 4:00 p.m. on 30th September, 2006, then the S&P Agreement shall cease and determined and all liabilities of the parties thereto will cease and no party will have any claim against the others (except in respect of any antecedent breaches and any matters or things arising out of or in connection with the S&P Agreement).

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

Signing and Completion

Upon the signing of the S&P Agreement, the Vendor shall:

- (i) deliver to the Purchaser a certificate certifying the indebtedness of Shinhan-Golden and JV Co. and providing an estimate of the maximum amount of the indebtedness of Shinhan-Golden and JV Co. as at the date of Completion;
- (ii) procure JV Co. to execute a facilities letter with Shanghai Shengping pursuant to which Shanghai Shengping shall grant a loan in a sum of RMB9,000,000 (approximately HK\$8,738,000); and
- (iii) procure JV Co. to execute a Deed of Assignment of Rental Income with Shanghai Shenping in respect of the assigning to Shanghai Shengping of rental income received by the JV Co. from time to time in respect of the leasing of the Ground Floor of the Property's main building as security for the facility granted in (ii) above. This arrangement is to secure the facility provided to JV Co. by Shanghai Shengping as mentioned in (ii) above and the amount assigned is uncapped.

Upon compliance by the Vendor of its obligations mentioned above under the heading “Signing and Completion” and upon Completion, the Purchaser shall, inter alia:

- (i) procure Shanghai Shengping to execute the facilities letter in (ii) above;
- (ii) procure Shanghai Shengping to execute the Deed of Assignment of Rental Income in (iii) above;
- (iii) deliver to the Vendor a share certificate in respect of the Consideration Shares;
- (iv) procure Shanghai Shengping to settle and repay to Mr. Andrew Nan Sherrill, the beneficial owner of the Vendor and the legal representative of JV Co., 20% of the indebtedness of JV Co. due to him ie. RMB5,100,000 (approximately HK\$4,951,000);
- (v) procure Shanghai Shengping to settle and repay to Mr. Nan Pin Ren, a director of JV Co., 20% of the indebtedness of JV Co. due to him, ie. RMB2,000,000 (approximately HK\$1,942,000);
- (vi) procure Shanghai Shengping to deliver a promissory note to Mr. Andrew Nan Sherrill for the settlement of the balance 80% indebtedness due from JV Co to him; and
- (vii) procure Shanghai Shengping to deliver a promissory note to Mr. Nan Pin Ren for the settlement of the balance 80% indebtedness due from JV Co. to him.

The loan of RMB9,000,000 (approximately HK\$8,738,000) to be granted by Shanghai Shengping as referred to above is for the purpose of financing the operations of JV Co and the renovation project during the period from the date of signing of the S&P Agreement and Completion. In the event the S&P Agreement is not completed, JV Co has to repay the loan to Shanghai Shengping.

Following the payments and delivery of the promissory notes in (iv), (v), (vi) and (vii) above, the relevant amounts shall be owing from JV Co. to Shanghai Shengping.

Non-Disposal

The Vendor has undertaken to and covenanted with the Purchaser that it will not, within the period commencing on the date of Completion and ending on the date falling twelve (12) months thereafter, transfer or otherwise dispose of or create any encumbrance or other rights in respect of any of the Consideration Shares.

The Vendor has undertaken with the Purchaser to deposit share certificates for 15,845,196 Consideration Shares with an escrow agent, such share certificates to be released upon settlement to the Purchaser’s reasonable satisfaction of certain legal proceedings or potential legal proceedings of JV Co., inter alia, as follows:

- (i) PRC court proceeding between Beijing Jun Ying Real Estate Management Limited (北京均贏物業管理有限公司) and JV Co. (as defendant) for a claim of RMB243,330.83 (approximately HK\$236,000);
- (ii) PRC court proceeding between CL3 Architects Limited and JV Co. (as defendant) for a claim of HK\$2,500,000.00;

- (iii) the failure of the JV Co. to pay the balance of contract sum of RMB353,808.00 (approximately HK\$344,000) under the agreement with Di Yi Ao Yuan Real Estate Management (Shanghai) Limited (第一澳元物業管理(上海)有限公司) dated 27th May, 2005; and
- (iv) the failure of the JV Co. to pay the balance of contract sum of RMB100,000.00 (approximately HK\$97,000) under the oral agreement with De Ren Advertising Limited (德人廣告公司).

CHANGES IN SHAREHOLDING STRUCTURE OF THE COMPANY

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

- (i) 190,000,000 share options carrying rights to subscription for 190,000,000 Shares at an exercise price of HK\$0.26 per Share which are granted under the share option scheme of the Company: and
- (ii) 275,700,000 share options carrying rights to subscription for 275,700,000 Shares at an exercise price of HK\$0.194 per Share which are granted under the share option scheme of the Company.

The respective shareholdings of the substantial Shareholders before and following Completion will be as follows:

Shareholders	Prior to Completion		After Completion	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Classical Statue Limited	2,116,590,000	41.06	2,116,590,000	32.64
Top Vision Management Limited	792,000,000	15.37	792,000,000	12.21
Lucky Star Consultants Limited	354,000,000	6.87	354,000,000	5.46
The Vendor	—	—	1,330,321,745	20.52
Public Shareholders	1,891,428,000	36.70	1,891,428,000	29.17
Total	5,154,018,000	<u>100.00</u>	6,484,339,745	<u>100.00</u>

REASONS AND BENEFITS FOR 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-licensing of film rights and sale of advertising rights or otherwise related to the entertainment industry.

As disclosed in the announcement of the Company dated 15th April, 2005, the Board has been proactively identifying suitable investment opportunities to develop the Group's business. Beijing is the political and economical center for the PRC. With effect of the PRC's accession into the WTO in place and 2008 Beijing Olympic Games, Beijing is expected to see an increasing number of expatriates from multinational companies and foreign government institutions, which leads to continual increase in demand for high-end apartments.

The Property is situated at No. 9 Gongyuan Xijie, Dongcheng District, Beijing. 100 meters away to the south of the Property is Changan Avenue and 300 meters away to the east is East Second Ring Road. Grade A properties namely China Resources Building, Bright China Chang An Building, Beijing International Hotel, COFCO Plaza and Henderson Centre and No. 6 Gongyuan Xijie are in the vicinity. The Property is currently under a reconstruction into a luxurious service apartment project which is expected to be completed in June 2006.

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 Director's positive outlook of the PRC property market in the near future. It is currently intended by the Company that it will hold the Property as a long-term investment for rental purposes.

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. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition. Accordingly, no Shareholder is required to abstain from voting on the resolution to approve the Acquisition. A circular containing, among others, further information in respect of the Acquisition, the independent valuation report of the Property, together with a notice of the SGM will be despatched to the Shareholders as soon as practicable.

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The Company is an investment holding company and its subsidiaries are principally engaged in the distribution of films, sub-licensing of film rights and sale of advertising rights or otherwise related to the entertainment industry.

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 20th February, 2006 pending the release of this announcement. Application has been made by the Company for the resumption of trading in the Shares on the Stock Exchange from 9:30 a.m. on 24th February, 2006.

Completion of the Acquisition is subject to various conditions precedent having been fulfilled failing which the Acquisition may not take place. Shareholders and investors should therefore exercise caution when trading in the Shares. A further announcement will be made as and when applicable.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Acquisition”	the proposed acquisition of 100% interest in the issued share capital of the Shinhan-Golden 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 10:00am) on which banks in Hong Kong are generally open for business
“Circular”	the circular to be despatched to Shareholders in connection with the Acquisition as required pursuant to the Listing Rules
“Company”	Riche Multi-Media Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of 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\$266,064,348.98
“Consideration Shares”	1,330,321,745 Shares issued at HK\$0.20 per Consideration Share
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JV Co.”	Beijing Jian Guo Real Estate Development Co. Ltd. (北京建國房地產開發有限公司)
“Last Trading Day”	17th February, 2006, being the last trading day of the Shares on the main board of the Stock Exchange immediately prior to the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Property”	the property located at Inner Jiangguo Gate of Dongcheng District, Beijing, the PRC (currently known as No. 9 Gongyuan Xijie, Dongcheng District, Beijing, the PRC) with land use right certificate number Shi Dong Zhong Wai Guo Yong (97) Zi Di no. 00347
“PRC”	The People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, Macau and Taiwan
“Purchaser”	Riche (BVI) Limited, a wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“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

“S&P Agreement”	a conditional sale and purchase agreement entered into between the Purchaser and the Vendor dated 17th February, 2006 in respect of the Acquisition
“Sale Loan”	all obligations, liabilities and debts owing or incurred by Shinhan-Golden to the Vendor on or at any time prior to Completion
“Shanghai Shengping”	上海昇平文化發展有限公司, a company organised and existing under the laws of the PRC and having its legal address at Room 302, No. 11 Lane 4618, Gonghexin Road, Shanghai, 200435. Shanghai Shengping is a company controlled by the Company and its results are consolidated into that of the Group. Further details of the relationship between Shanghai Shengping and the Group will be disclosed in the Circular;
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Shinhan-Golden”	Shinhan-Golden Faith International Development Limited, a company incorporated in the British Virgin Islands and is beneficially owned by the Vendor
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Vendor”	Northbay Investments Holdings Limited, an independent third party who is to the best knowledge, information and belief of the Directors, having made all reasonable enquiry, not connected persons (as defined in the Listing Rules) of the Company
“%”	per cent.

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

* *The English translation of Chinese name is for identification purposes only and should not be regarded as the official English translation of such Chinese name.*

As at the date of this announcement, the executive directors of the Company are Mr. Heung Wah Keung, Ms. Chen Ming Yin, Tiffany and the independent non-executive directors of the Company are Mr Lien Wai Hung, Mr Tang Chak Lam, Gilbert and Mr Ho Wai Chi, Paul.

Hong Kong, 23rd February, 2006

Please also refer to the published version of this announcement in The Standard.