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# CULTURECOM HOLDINGS LIMITED

文化傳信集團有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 343)

(Warrant Code: 2306)

- (1) MAJOR TRANSACTION: PURCHASE OF ASSETS AND LICENCE OF TECHNOLOGY;**  
**(2) PLACING OF CONVERTIBLE BONDS; AND**  
**(3) RESUMPTION OF TRADING**

Placing Agent



**KIM ENG SECURITIES (HONG KONG) LIMITED**

The Directors are pleased to announce the signing of the Asset Purchase Agreement and the Licence Agreement with Transmeta Corporation to deliver the Acquired Crusoe Assets and Technology and licence the use of the Manufacturing Tools for the manufacture and sale of the Crusoe Microprocessor and to manufacture and sell the Efficeon Microprocessor to Culture.com Technology.

**(1) Major transaction:**

*(a) Purchase of assets*

On 27 May 2005, Culture.com Technology entered into the Asset Purchase Agreement with Transmeta Corporation pursuant to which Culture.com Technology agreed to purchase the Acquired Crusoe Assets and Technology for an aggregate cash consideration of US\$5,000,000 (equivalent to approximately HK\$39,000,000).

*(b) Licence of technology*

On 27 May 2005, Culture.com Technology entered into the Licence Agreement with Transmeta Corporation pursuant to which Transmeta Corporation agreed to grant to Culture.com Technology (i) a worldwide, exclusive royalty-bearing licence to use the Manufacturing Tools for the manufacture and sale of the Crusoe Microprocessor and (ii) a royalty-bearing licence to manufacture and sell the Efficeon Microprocessor in China.

Culture.com Technology shall pay a one-off licence fee in the amount of US\$10,000,000 (equivalent to approximately HK\$78,000,000) and an on-going royalty based on a set percentage of the Group's net sales of the Crusoe Microprocessor and the Efficeon Microprocessor.

The Acquisition and the Licence Agreement together constitutes a major transaction on the part of the Company under Rule 14.06 of the Listing Rules and is subject to Shareholders' approval at the SGM. None of the Shareholders has a material interest in the Acquisition or the Licence Agreement and accordingly is required to abstain from voting at the SGM.

**(2) Placing of Convertible Bonds**

On 2 June 2005, the Company and the Placing Agent entered into the CB Placing Agreement, pursuant to which, the Placing Agent conditionally agreed to place on a best effort basis the Convertible Bonds up to an aggregate principal amount of HK\$300,000,000. The Convertible Bonds will carry a right to convert into new Shares at the conversion price of, subject to adjustment, HK\$0.60 per Share from the expiry of six months from the date of issue of the Convertible Bonds to the Maturity Date. 500,000,000 Shares will be allotted and issued upon full conversion of the Convertible Bonds.

The Conversion Shares will be issued pursuant to the general mandate granted to the Directors to allot, issue and deal with unissued Shares at the annual general meeting of the Company held on 24 August 2004. No application will be made for the listing of the Convertible Bonds. Application will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Conversion Shares falling to be issued upon exercise of the conversion rights attaching to the Convertible Bonds. Completion of the CB Placing Agreement is conditional upon, amongst other things, the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Conversion Shares.

The Company will make further announcement to keep Shareholders informed in the event that less than HK\$300,000,000 of Convertible Bonds are being placed.

**(3) Suspension and resumption of trading in Shares**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 27 May 2005 pending the release of this announcement. Application has been made by the Company for resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 8 June 2005.

**GENERAL**

A circular of the Company containing (i) further details of the Acquisition and the Licence Agreement; (ii) information regarding the Group; and (iii) a notice of SGM for the purpose of approving the Asset Purchase Agreement and the Licence Agreement and the transactions contemplated thereby will be despatched to Shareholders as soon as possible in accordance with the Listing Rules.

**Shareholders and potential investors should note that the CB Placing Agreement is subject to conditions precedent. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**

**(1) MAJOR TRANSACTION:**

**(a) PURCHASE OF ASSETS**

**ASSET PURCHASE AGREEMENT**

Date: 27 May 2005

Parties: (1) Buyer: Culture.com Technology

(2) Seller: Transmeta Corporation

**Acquired Assets:**

Pursuant to the Asset Purchase Agreement, Culture.com Technology will purchase the Acquired Crusoe Asset and Technology, including the Intellectual Properties Rights, design, technical information, goodwill, equipment and assets related to the Crusoe Microprocessor line of business. After the Acquisition, the Group will own and be able to use its ownership rights in the Acquired Crusoe Asset and Technology to develop the Group's existing and future lines of technology products, thereby raising the quality and value and creating new lines of the Group's technology products.

**Consideration:**

The aggregate cash consideration for the Acquired Assets is US\$5,000,000 (equivalent to approximately HK\$39,000,000), which shall be paid by Culture.com Technology to Transmeta as follows:

- (a) US\$750,000 (equivalent to approximately HK\$5,850,000) (the "Deposit") upon the execution of the Asset Purchase Agreement to an escrow agent; and
- (b) the remaining cash consideration of US\$4,250,000 (equivalent to approximately HK\$33,150,000) shall be paid by Culture.com Technology to an escrow agent within 21 business days following the execution of the Asset Purchase Agreement.

The cash consideration was arrived at after arm's length negotiations between the parties to the Asset Purchase Agreement and have taken into consideration the research and development costs of the Crusoe Microprocessor, which is well known internationally for its innovative and energy efficient design, suitable for handheld and mobile computing devices.

The obligations of Culture.com Technology to pay the foregoing amount has been guaranteed by the Company.

Based on industry experience, the Directors expect great market potential for Crusoe Microprocessor technology in Greater China and consider that the cash consideration and the terms of the Asset Purchase Agreement are fair and reasonable and in the interests of the shareholders of the Group as a whole.

**Completion**

Completion of the Asset Purchase Agreement will take place on the third business day after the day on which, among other things, the parties have entered into a services agreement regarding technical support to be provided by Transmeta, all export licences and other approvals required to consummate the transactions contemplated under the Asset Purchase Agreement have been obtained and that, according to the requirements which Transmeta is subject to under the Exon-Florio amendment to the Defence Production Act of 1950 of the USA for reasons of national security interest, the Committee on Foreign Investment in the United States shall have made a determination not to investigate the transactions contemplated under the Asset Purchase Agreement or if the Committee on Foreign Investment in the United States makes a determination to make an investigation, such investigation shall have been completed. The cash consideration will be released by the escrow agent to Transmeta on completion of the Asset Purchase Agreement. There is no specified long stop date for the Acquisition.

**SOURCE OF FUNDING**

The Deposit was financed by the internal resources of the Group. The balance of the cash consideration for the Acquisition of US\$4,250,000 (equivalent to approximately HK\$33,150,000) and the licence fee under the Licence Agreement of US\$10,000,000 (equivalent to approximately HK\$78,000,000) will be financed by the proceeds from the CB Placing. Based on the above, the Directors confirm that the Acquisition will not have any material adverse effect on the working capital position of the Group.

If, in the event, the CB Placing does not proceed or if the net proceeds from the CB Placing falls short of the balance of the cash consideration for the Acquisition and the licence fee under the Licence Agreement, the Board will contemplate other financing means including short term loan, equity placement, derivatives placement or any combination of them.

## **INFORMATION ON TRANSMETA AND THE ACQUIRED ASSETS**

Transmeta, an Independent Third Party, is a Delaware (USA) corporation whose issued shares are listed on the NASDAQ exchange (symbol TMTA). To the best of the Director's knowledge, each of the directors, chief executive and substantial shareholders of Transmeta is an Independent Third Party. Transmeta develops, licenses and sells innovative computing, microprocessor and semiconductor technologies and related intellectual property to manufacturers enabling them to build electronic equipment such as computers offering long battery life, energy efficiency, high performance and x86 compatibility capable to support operating systems such as Microsoft Windows and different versions of Linux and most embedded operating systems.

Developed by Transmeta as one of its key product line, the Crusoe Microprocessor is widely acclaimed for its innovative and energy efficient design and adopted by many major IT vendors, such as Sony, HP, Toshiba, Fujitsu, NEC etc., as the CPU in their notebooks, PCs and servers. It is also suitable for embedded applications, such as the Group's collaboration with IBM to create the V-Dragon Chinese microprocessor by embedding the Group's Chinese Language Technology (Chinese DNA) into IBM's PowerPC microprocessor.

As announced by the Company in an announcement dated 29 July 2003 and in a circular to Shareholders dated 19 August 2003, the Group licensed Transmeta's Midori Linux for the development of embedded applications and, in connection with that licence, Transmeta purchased, an equity stake of 16.67% in Chinese 2 Linux (Holdings) Limited, an associate of the Company in which the Company holds 40.83% equity stake.

### **(b) LICENCE OF TECHNOLOGY**

#### **LICENCE AGREEMENT**

On 27 May 2005, Culture.com Technology entered into the Licence Agreement with Transmeta pursuant to which Transmeta agreed to grant to Culture.com Technology (i) a worldwide, exclusive royalty-bearing licence to use the Manufacturing Tools for the manufacture and sale of the Crusoe Microprocessor and (ii) a royalty bearing licence to manufacture and sell the Efficeon Microprocessor in China. The licences are perpetual licences, unless terminated earlier for breach of any material term or condition of the Licence Agreement. In addition to the Crusoe Microprocessor, the licencing rights granted to Culture.com Technology will also enable it to engage in the manufacture and sale of different product lines of the Efficeon Microprocessor.

Culture.com Technology shall pay a one-off licence fee US\$10,000,000 (equivalent to approximately HK\$78,000,000 and which was arrived at after arm's length negotiations between the parties and have taken into consideration the past and future research and development costs incurred or to be incurred by Transmeta) to an escrow agent within 21 business days following the execution of the Licence Agreement and, on an on-going accrued basis, a non-refundable royalty (payable quarterly to an account specified by Transmeta) based on a set percentage of the Group's net sales of the Crusoe Microprocessor and the Efficeon Microprocessor. The one-off licence fee US\$10,000,000 will be released by the escrow agent to Transmeta on completion of the Licence Agreement.

The obligations of Culture.com Technology to pay the foregoing amount has been guaranteed by the Company.

#### **LISTING RULES IMPLICATIONS**

The Acquisition and the Licence Agreement together constitutes a major transaction on the part of the Company under Rule 14.06 of the Listing Rules and is subject to Shareholders' approval at the SGM. None of the Shareholders has a material interest in the Acquisition or the Licence Agreement and accordingly is required to abstain from voting at the SGM.

#### **REASONS FOR THE ACQUISITION AND THE LICENCE AGREEMENT**

The Group is principally engaged in, among other things, investment holdings, development and sales of Chinese operating systems, processors, eTextbooks and Linux-based Chinese computer software.

##### **The Acquisition**

In collaboration with IBM, the Group incorporates its self-developed Chinese Language Algorithm (Chinese DNA), an unique value added function, into IBM's PowerPC Microprocessor and market the resulting "V-Dragon" as a Chinese enabled microprocessor with very satisfactory result in China. The Acquisition is a continuation of this value adding microprocessor strategy in which the Group also has this world class technology core as its own asset.

The established x86 industry allows IT manufacturers to develop products much more timely and cost effectively, since peripheral components, design services, and software application, etc. are widely available. After the Acquisition, as a supplier of this x86 compatible microprocessor, the Group's business will be positioned at the upper end of the industrial chain, being more profitable and sustainable. The Group's market sector will cover from middle to high end, especially the x86 sector which is among the largest sector within IT industry.

Given the high English illiteracy rate in China, the Board expects that combining the Group's unique Chinese DNA technology with the Acquired Crusoe Assets and Technology (which features cost effectiveness, energy saving, and embeddability) will well fit Greater China's specific user requirements. The Directors believe that the Group will be a very strong competitor and provider of low price, energy saving, versatile and Chinese language capable products in the Greater China IT market, which is among the largest and fastest growing.

##### **The Licence Agreement**

Developed by Transmeta as its key product line, the Crusoe Microprocessor and the Efficeon Microprocessor are widely acclaimed for the innovative and energy efficient design and adopted by many major IT vendors. The Board believes that the Crusoe Microprocessor and the Efficeon Microprocessor, as proven final products, will continually be accepted by IT customers in Greater China before new products are put into the market. By the Licence Agreement, the Group will gain the capability to manufacture the Crusoe Microprocessor as well as the Efficeon Microprocessor and generate revenue from the sale thereof.

## (2) PLACING OF CONVERTIBLE BONDS

### CB PLACING AGREEMENT

Date: 2 June 2005

Parties involved: The Placing Agent and the Company

#### Placing

The Placing Agent has conditionally agreed with the Company to place, on a best effort basis, to independent professional, corporate or individual investors the Convertible Bonds which are proposed to be issued in an aggregate principal amount of HK\$300,000,000. The Placing Agent will receive a placing commission of 1.5% of the amount equal to the aggregate principal amount of the Convertible Bonds in respect of which it had secured Placees. The placing commission was arrived at after arm's length negotiations between the Company and the Placing Agent.

The Placing Agent and its ultimate beneficial owners are independent of and not connected with the Company nor with the directors, chief executive or substantial shareholders of the Company, and any of its subsidiaries or any of their respective associates.

The Company will make further announcement to keep Shareholders informed in the event that less than HK\$300,000,000 of Convertible Bonds are being placed.

#### Placees

The Placing Agent will place the Convertible Bonds to Placees, each of whom (i) will be an independent third party not connected with the Company and its subsidiaries and their connected persons; (ii) is not connected with the other Placees; and (iii) will not become a substantial Shareholder upon the full exercise of his/her/its convertible rights attaching to the Convertible Bonds. The Conversion Shares will be issued pursuant to the general mandate granted to the Directors to allot, issue and deal with unissued Shares at the annual general meeting of the Company held on 24 August 2004.

There is no requirement on the part of the Placing Agent as regards the number of Placees to be introduced. In the event the number of CB Placing is less than six on completion of the Placing Agreement, the Company will issue a further announcement in compliance with Rule 13.28(7) setting out the names of the Placees.

#### Conditions

Completion of the CB Placing Agreement is conditional upon, amongst other things, the Stock Exchange granting or agreeing to grant listing of, and permission to deal in, the Conversion Shares.

If the conditions are not fulfilled on or before 31 July 2005 (or such later date as may be agreed between the Company and the Placing Agent), the CB Placing Agreement shall terminate and neither the Company nor the Placing Agent shall have any claim against the other for any costs or losses (save for any prior breaches of the CB Placing Agreement).

#### Completion

Completion of the CB Placing Agreement is expected to take place on the second business day after the conditions precedent have been fulfilled (or waived) and in any event no later than 31 July 2005 (unless otherwise agreed between the Placing Agent and the Company in writing (provided that the conditions precedent have been fulfilled (or waived) at the time of completion)).

### THE CONVERTIBLE BONDS

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

#### Issuer

The Company

#### Principal amount

Up to HK\$300,000,000

#### Interest

The Convertible Bonds will bear interest at a rate of 7.75% per annum on the principal amount of the Convertible Bonds outstanding, payable semi-annually in arrears. The effective yield to maturity is approximately 6.77%.

#### Maturity

Five years from the date of issue of the Convertible Bonds.

#### Minimum subscription

The Placing Agent will procure each Placee to subscribe for a minimum amount of HK\$10,000,000 (and thereafter in multiples thereof) in principal of the Convertible Bonds.

#### Conversion price

The initial conversion price is HK\$0.60, subject to the adjustment for change in the share capital of the Company (including consolidation or sub-division of the Shares), capitalisation of profits or reserves, capital distributions in cash or specie or subsequent issue of securities in the Company.

The initial conversion price of HK\$0.60 per Share represents (i) a premium of approximately 76.47% over the closing price of HK\$0.34 per Share as quoted on the Stock Exchange on 26 May 2005, being the last trading day immediately prior to this announcement; (ii) a premium of approximately 85.19% over the average closing price of approximately HK\$0.324 per Share for the last five trading days ended 26 May 2005, being the last trading day immediately prior to this announcement; and (iii) a premium of approximately 445% to the net asset value per Share of HK\$0.11 as at 31 March 2004 based on the latest published audited financial information of the Group as shown in the Company's annual report for the year ended 31 March 2004 and the current number of issued Shares as at the date of this announcement.

The conversion price of HK\$0.60 was determined by the Company and the Placing Agent on arm's length basis with reference to the current market price of the Shares and the duration and interest terms of the Convertible Bonds.

## Conversion

At any time after 6 months from the date of issue of the Convertible Bonds but before the Maturity Date, each holder may convert the whole or part (in multiples of HK\$10,000,000) of the principal amount of the relevant Convertible Bonds into new Shares at the initial conversion price of HK\$0.60 (subject to adjustment). However, the Company shall have the cash alternative option at its absolute discretion to redeem the Convertible Bonds after 18 months from the date of issue of the Convertible Bonds at 105% of the outstanding principal amount of the Convertible Bonds.

Assuming there is an immediate exercise in full of the conversion rights attaching to the Convertible Bonds in aggregate of HK\$300,000,000 at the conversion price of HK\$0.60 by all holders of the Convertible Bonds, the Company will issue an aggregate of 500,000,000 new Shares, representing approximately (i) 14.26% of the existing issued share capital of the Company, and (ii) 12.48% of the issued share capital of the Company as enlarged by the exercise of the conversion rights in full attaching to the Convertible Bonds of an aggregate of HK\$300,000,000 at the conversion price of HK\$0.60. The Conversion Shares will be issued pursuant to the general mandate granted to the Directors to allot, issue and deal with 667,169,928 unissued Shares at the annual general meeting of the Company held on 24 August 2004, which has not been utilised and is therefore sufficient to cover the 500,000,000 Conversion Shares under the Convertible Bonds.

The market value of the 500,000,000 Conversion Shares will be in the aggregate amount of HK\$170,000,000 based on the closing price of HK\$0.34 per Share on 26 May 2005, being the last trading day immediately prior to this announcement.

The following table shows the shareholding structure immediately before and after the exercise of the conversion rights in full attaching to the 2005 Warrants and/or the Convertible Bonds of an aggregate principal amount of HK\$300,000,000 at the conversion price of HK\$0.60 are as follows:

Shareholder	At the date of the announcement		Immediately after conversion of the 2005 Warrants in full		Immediately after conversion of the Convertible Bonds (assuming no conversion of the 2005 Warrants)		Immediately after conversion of the Convertible Bonds (assuming full conversion of the 2005 Warrants)	
	No. of Shares	Approximate percentage	No. of Shares	Approximate percentage	No. of Shares	Approximate percentage	No. of Shares	Approximate percentage
Chu Bong Foo	343,052,000	9.78	343,052,000	9.19	343,052,000	8.56	343,052,000	8.11
Placees	-	-	-	-	500,000,000	12.48	500,000,000	11.82
Other public Shareholders	3,163,907,642	90.22	3,388,247,642	90.81	3,163,907,642	78.96	3,388,247,642	80.07
Total	<u>3,506,959,642</u>	<u>100%</u>	<u>3,731,299,642</u>	<u>100%</u>	<u>4,006,959,642</u>	<u>100%</u>	<u>4,231,299,642</u>	<u>100%</u>

## Ranking

The Conversion Shares, when allotted and issued, will rank pari passu in all respects with all existing Shares in issue at the date of the conversion notice.

## Early redemption by the Company

The Company shall, after the expiration of 18 months from the date of issue of the Convertible Bonds and at any time before the Maturity Date, have the option to redeem the Convertible Bonds in whole or in part. The amount payable for any redemption shall be 105% of the relevant amount of the principal amount of the Convertible Bonds so redeemed.

## Status of the Convertible Bonds

The Convertible Bonds constitute a direct, general, unconditional and unsecured obligation of the Company and rank pari passu and rateably without preference (with the exception of obligations in respect of taxes and certain other mandatory provisions of applicable law exceptions) equally with all other present and/or future unsecured and unsubordinated obligations of the Company. No application will be made for the listing of the Convertible Bonds.

## Transferability

The Convertible Bonds may not be transferred or assigned by the holders of the Convertible Bonds to any party save in multiples of HK\$10,000,000 or the entire outstanding principal amount thereof. The Company will inform the Stock Exchange upon the Company becoming aware that any of the Convertible Bonds has been or is to be transferred to any connected persons of the Company (as defined under the Listing Rules)

## Voting Rights

The Convertible Bonds do not confer any voting rights at any meetings of the Company.

## Listing

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

## REASONS FOR THE ISSUE OF THE CONVERTIBLE BONDS AND USE OF PROCEEDS

The Board considers that the issue of the Convertible Bonds is an appropriate means of raising additional capital for the Company since there is no immediate dilutive effect on the Shareholders.

The net proceeds to be raised by the Company from the issue of the Convertible Bonds (after deducting the expenses) will amount to approximately HK\$295,000,000, representing a net price of HK\$0.59 per Conversion Share. It is the intention of the Company to use the proceeds in the following manner: as to approximately HK\$39,000,000 will be used as cash consideration for the Acquisition; as to approximately HK\$78,000,000 will be used for payment of the one-off licence fee; as to approximately HK\$100,000,000 will be used for manufacturing operation of the Group's microprocessor business; and the balance of approximately HK\$78,000,000 will be used for sales and marketing operation of the Group's microprocessor business.

The Group has not conducted any fund raising activities in the twelve months immediately before the date of this announcement.

Having sought advice from various industry professions on similar convertible bond placings, the Directors are of the view that the terms of the CB Placing Agreement, including the coupon rate, are fair and reasonable and in the interest of the Company and Shareholders as a whole.

#### **GENERAL**

A circular of the Company containing (i) further details of the Acquisition and the Licence Agreement; (ii) information regarding the Group; and (iii) a notice of SGM for the purpose of approving the Asset Purchase Agreement and the Licence Agreement and the transactions contemplated thereby will be despatched to Shareholders as soon as possible in accordance with the Listing Rules.

**Shareholders and potential investors should note that the CB Placing Agreement is subject to conditions precedent. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**

As of the date of this announcement, the Board comprises Mr. Cheung Wai Tung, Mr. Chu Bong Foo, Mr. Cheung Kam Shing Terry, Mr. Henry Chang Manayan, Mr. Wan Xiaolin (all being executive Directors); and Mr. Lai Man To, Mr. Wang Tiao Chun and Mr. Joseph Lee Chennault (all being independent non-executive Directors).

#### **(3) SUSPENSION AND RESUMPTION OF TRADING IN SHARES**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 27 May 2005 pending the release of this announcement. Application has been made by the Company for resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 8 June 2005.

#### **DEFINITIONS**

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

“2005 Warrants”	the 224,340,000 outstanding warrants of the Company conferring rights in registered form to subscribe for Shares at the initial subscription price of HK\$0.165 per Share which shall expire on 7 July 2005
“Acquired Crusoe Assets and Technology”	the assets and technology to be acquired by Culture.com Technology pursuant to the Asset Purchase Agreement
“Acquisition”	the acquisition of the Acquired Crusoe Assets and Technology by Culture.com Technology pursuant to the Asset Purchase Agreement
“Asset Purchase Agreement”	the asset purchase agreement entered into between Culture.com Technology and Transmeta dated 27 May 2005 in respect of the Acquisition
“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors
“CB Placing”	the placing of the Convertible Bonds
“CB Placing Agreement”	the conditional placing agreement dated 2 June 2005 entered into between the Company and the Placing Agent in relation to the placing of the Convertible Bonds
“China” or “PRC”	the People’s Republic of China which for the purpose of this announcement, includes Hong Kong, Macau and all other special administrative regions with the People’s Republic of China but excludes Taiwan
“Company”	Culturecom Holdings Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Stock Exchange
“Completion”	completion of the Acquisition
“connected person”	has the meaning ascribed to this term under the Listing Rules
“Conversion Shares”	those Shares to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds, or, an aggregate of 500,000,000 new Shares (with an aggregate nominal value of HK\$50,000,000) falling to be issued if full exercise of the conversion rights attached to the Convertible Bonds at the conversion price of HK\$0.60 per Share (subject to adjustment)
“Convertible Bonds”	the 7.75% convertible redeemable bonds due 2010 to be issued by the Company in the aggregate principal amount of up to HK\$300,000,000 under the CB Placing Agreement
“Crusoe Microprocessor”	the brand name of a software-based microprocessor and its variant within the same product family
“Culture.com Technology”	Culture.com Technology Limited, a company incorporated in Hong Kong with limited liability, and an indirectly wholly owned subsidiary of the Company
“Directors”	directors of the Company
“Efficeon Microprocessor”	the 130nm software-based microprocessor designed for 256 bits instruction and its variants under the brand name of Efficeon
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	persons who, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, are third parties independent of the Company and its subsidiaries, its directors, chief executives and substantial shareholders or their respective associates and are not connected persons of the Company and its subsidiaries
“Intellectual Property Rights”	all intellectual property rights, including (i) trade secrets, copyrights and mask work in specific design and ancillary technology of the Crusoe Microprocessor and (ii) the Crusoe trademark and any rights similar, corresponding or equivalent to any of the foregoing anywhere in the world
“Licence Agreement”	the licence agreement entered into between Culture.com Technology and Transmeta dated 27 May 2005
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Manufacturing Tools”	(i) the documentation, reference designs, tools and technical manufacturing guidelines for the Crusoe Microprocessor and (ii) the Crusoe Microprocessor design information and technical documentation, as set out in the Licence Agreement
“Maturity Date”	the day preceding the fifth anniversary of the date of issue of the Convertible Bonds
“Placee(s)”	any individual, institutional or other professional investor(s) to be procured by the Placing Agent to subscribe for any principal amount of the Convertible Bonds pursuant to the Placing Agent’s obligations under the CB Placing Agreement, each of whom (i) will be an independent third party not connected with the Company and its connected persons; (ii) is not connected with the other Placees; and (iii) will not become a substantial Shareholder upon the full exercise of his/her/its convertible rights attaching to the Convertible Bonds
“Placing Agent”	Kim Eng Securities (Hong Kong) Limited, a licensed corporation under the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) to carry out types 1 (dealing in securities) and 4 (advising on securities) regulated activities
“SGM”	the special general meeting of the Company to be convened and held to approve the Asset Purchase Agreement and the Licence Agreement and the transactions contemplated thereby
“Shareholders”	holders of Shares
“Shares”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transmeta”	Transmeta Corporation, a Delaware (USA) corporation whose shares are listed on the NASDAQ, and an Independent Third Party
“USA”	the United States of America
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the USA

By order of the Board of  
**CULTURECOM HOLDINGS LIMITED**  
**Cheung Wai Tung**  
*Chairman*

Hong Kong, 7 June 2005

*\* for identification purposes only*

Please also refer to the published version of this announcement in SCMP-Classified & China Daily.