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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)

MAJOR TRANSACTION: PURCHASE OF ASSETS AND LICENCE OF TECHNOLOGY AND PLACING OF CONVERTIBLE BONDS

(1) DELAY IN DESPATCH OF CIRCULAR; (2) CHANGE IN SOURCE OF FUNDING; AND (3) CHANGE IN USE OF PROCEEDS OF THE CB PLACING

Reference is made to the announcement of the Company dated 7 June 2005 in relation to a major transaction and a placing of convertible bonds of the Company.

DELAY IN DESPATCH

Pursuant to Rule 14.38 of the Listing Rules, the Company is required to despatch the Circular to Shareholders within 21 days after publication of the Announcement. However, additional time is required for the Company to collate and finalise certain financial information, such as any profit or loss statement on any identifiable net income stream in relation to the Acquired Crusoe Assets and Technology and the licence under the Licence Agreement, to be included in the Circular as required under the Listing Rules. Accordingly, the Company has applied to the Stock Exchange for an extension of time for the despatch of the Circular on or before 19 July 2005.

CHANGE IN SOURCE OF FUNDING

As set out in the Announcement, it was originally intended that the balance of the consideration for the Acquisition and the licence fee payable under the Licence Agreement would be financed by the proceeds of the CB Placing. However, as at 27 June 2005 being the time stipulated in the Asset Purchase Agreement and Licence Agreement for payment of the respective sums into escrow, the CB Placing had not yet been completed. As such, the Group sought and obtained alternative short term financing / used the Company's working capital to satisfy the Total Balance. Further details of such arrangement are set out below.

CHANGE IN USE OF PROCEEDS OF THE CB PLACING

Since the Total Balance had been satisfied by short term financing / the Company's working capital as set out in the paragraphs headed "Change in source of funding", the amounts of approximately HK\$39,000,000 and HK\$78,000,000 originally set aside from the net proceeds of the CB Placing are now intended to be firstly applied towards the repayment of the short term financing, the remaining balance of which will be retained as the Company's working capital.

The CB Placing is still proceeding. 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. The Company will also issue a further announcement in compliance with Rule 13.28(7) setting out the names of the Placees in the event that the number of Placees is less than six on completion of the CB Placing. Pursuant to the CB Placing Agreement, the long stop date for completion of the CB Placing is 5:00 p.m. (Hong Kong time) on 31 July 2005 (or such later time and date as the Placing Agent and the Company shall agree in writing). The Company has applied to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Conversion Shares.

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.

Reference is made to the announcement (the "Announcement") of the Company dated 7 June 2005 in relation to a major transaction and a placing of convertible bonds of the Company. Unless otherwise defined herein, capitalised terms shall have the meanings as ascribed to them in the Announcement.

DELAY IN DESPATCH

Pursuant to Rule 14.38 of the Listing Rules, the Company is required to, within 21 days after publication of the Announcement, that is, on or before 28 June 2005, despatch to Shareholders a circular (the "Circular") setting out (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. However, additional time is required for the Company to collate and finalise certain financial information, such as any profit or loss statement on any identifiable net income stream in relation to the Acquired Crusoe Assets and Technology and the licence under the Licence Agreement, to be included in the Circular as required under the Listing Rules. Accordingly, the Company has applied to the Stock Exchange for an extension of time for the despatch of the Circular on or before 19 July 2005.

CHANGE IN SOURCE OF FUNDING

As set out in the Announcement, it was originally intended that the balance of the consideration (US\$4,250,000, equivalent to approximately HK\$33,150,000) for the Acquisition and the licence fee (US\$10,000,000, equivalent to approximately HK\$78,000,000) payable under the Licence Agreement would be financed by the proceeds of the CB Placing. The total amount (the "Total Balance") payable is US\$14,250,000 (equivalent to approximately HK\$111,150,000). However, as at 27 June 2005 being the time stipulated in the Asset Purchase Agreement and Licence Agreement for payment of the respective sums into

escrow, the CB Placing had not yet been completed. As such, the Group sought and obtained alternative short term financing/ used the Company's working capital to satisfy the Total Balance in the following manner:

Lender	Amount advanced (HK\$)	Interest rate	Duration of advance	Security	Lender's relationship with the Group
Cheung Wai Tung	29,000,000	8% per annum	No fixed term	Nil	Chairman and executive director of the Company
Overseas Associate Limited	70,000,000	8% per annum	3 months	Lien over title deeds to the Group's property	Independent Third Party
Company's working capital	12,150,000	N/A	N/A	N/A	N/A
Total:	<u>111,150,000</u>				

CHANGE IN USE OF PROCEEDS OF THE CB PLACING

The Directors wish to inform Shareholders that the CB Placing is still proceeding. 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. The Company will also issue a further announcement in compliance with Rule 13.28(7) setting out the names of the Placees in the event that the number of Placees is less than six on completion of the CB Placing. Pursuant to the CB Placing Agreement, the long stop date for completion of the CB Placing is 5:00 p.m. (Hong Kong time) on 31 July 2005 (or such later time and date as the Placing Agent and the Company shall agree in writing). The Company has applied to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Conversion Shares.

It was stated in the Announcement that the Company intended to use the net proceeds of approximately HK\$295,000,000 from the issue of the Convertible Bonds in the following manner: as to (i) approximately HK\$39,000,000 will be used as cash consideration of the Acquisition; (ii) approximately HK\$78,000,000 will be used for payment of the one-off licence fee; (iii) approximately HK\$100,000,000 will be used for manufacturing operation of the Group's microprocessor business; and (iv) the balance of approximately HK\$78,000,000 will be used for sales and marketing operation of the Group's microprocessor business.

Since the Total Balance had been satisfied by short term financing / the Company's working capital as set out in the paragraphs headed "Change in source of funding" above, the amounts of approximately HK\$39,000,000 and HK\$78,000,000 originally set aside from the net proceeds of the CB Placing are now intended to be firstly applied towards the repayment of the short term financing, the remaining balance of which will retained as the Company's working capital.

GENERAL

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).

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

Hong Kong, 28 June 2005

** for identification purposes only*

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