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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)

PROPOSED PRIVATE PLACING OF UP TO 660,000,000 LISTED WARRANTS AND RESUMPTION OF TRADING

Placing Agent



KINGSTON SECURITIES LIMITED

Placing Manager



KINGSTON CORPORATE FINANCE LIMITED

On 18 August 2005, the Company entered into the Placing Agreement with the Placing Agent in connection with the Placing, on a best endeavours basis, of up to 660,000,000 Warrants conferring rights to subscribe up to HK\$113,520,000 in aggregate in cash for Shares at an initial subscription price of HK\$0.172 per Share (subject to adjustments, including for consolidation or subdivision of Shares, capitalisation of profits or reserves or capital distribution) with not less than 100 individuals, corporate and/or institutional investors and securities dealers who are not connected persons (as defined in the Listing Rules) of the Company. The Warrants are to be placed at an issue price of HK\$0.038 per Warrant. The Placing is conditional upon several conditions. If the Placing is completed in full, the net proceeds to the Company will be approximately HK\$24.1 million and the net issue price of each Warrant to the Company will be approximately HK\$0.0365, which will be mainly used for general working capital as to advertising and promotion of the Group's technology products and general administration expenses of the Group.

The Placing Agreement contains provisions entitling the Placing Agent to terminate its obligations thereunder on the occurrence of certain events (see the section with heading "Force majeure" below for details). If the obligations of the Placing Agent under the Placing Agreement is so terminated, the Placing will not proceed.

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Warrants and any Shares that may fall to be issued upon the exercise of the subscription rights attaching to the Warrants. Subject to the fulfillment of the conditions set out in the section headed "Conditions of the Placing" below, it is expected that dealings in the Warrants on the Stock Exchange will commence on 3 October 2005.

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 19 August 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 22 August 2005.

Placing Agreement dated 18 August 2005

Placing Agent

Kingston Securities Limited, a company incorporated in Hong Kong and is independent of and not connected with the Company and its subsidiaries and their connected persons (as defined in the Listing Rules). As at the date of this announcement, the Placing Agent did not hold any Shares.

The Placing Agent has conditionally agreed to place the Warrants, as agent for the Company, by way of private placement on a best endeavours basis and will receive a placing commission of 2% on the gross issue proceeds of such number of Warrants successfully placed by it, which was negotiated on an arm's length basis between the Company and the Placing Agent and determined with reference to amongst other things, the market rate and the price performance of the Shares. The Directors consider that the terms of the Placing, including the placing commission, are fair and reasonable based on the current market conditions and in the interests of the Company and Shareholders as a whole. Further announcement will be made by the Company if the number of Warrants being placed is less than 660,000,000.

Amount of securities to be issued by the Company and to be placed by the Placing Agent

Up to 660,000,000 Warrants conferring rights in registered form to subscribe up to HK\$113,520,000 in aggregate in cash for Shares at an initial subscription price of HK\$0.172 per Share (subject to adjustments, including for consolidation or subdivision of Shares, capitalisation of profits or reserves or capital distribution). Further details of such adjustment events will be set out in the Prospectus.

The Shares to which the 660,000,000 Warrants relate represented approximately 17.68% of the issued share capital of the Company as at the date of this announcement and approximately 15.02% of the issued share capital of the Company as enlarged by the allotment and issue of the 660,000,000 Shares to which the 660,000,000 Warrants relate.

The Warrants will be issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 24 August 2004 and such mandate has not been utilized as at the date of this announcement.

Save for 388,800,000 Shares to be issued upon the exercise of the outstanding share options of the Company which were granted under the share option schemes of the Company adopted on 15 June 1993 and 21 August 2002, the Company has no outstanding options or warrants or other convertible securities as at the date of this announcement.

Placees

The placees shall be individual, corporate and/or institutional investors and securities dealers independent of and not connected with the Company and its subsidiaries and their connected persons (as defined in the Listing Rules).

The Placing will comply with the requirements set out in Appendix 6 to the Listing Rules and the Placing Agent shall procure not less than 100 placees to subscribe for the Warrants in respect of the Placing.

Placing Price

The Placing Price is HK\$0.038 per Warrant and is determined based on arm's length negotiation (with reference to the Company's share price performance) between the Company and the Placing Agent. The Directors consider that the Placing Price is fair and reasonable.

Terms of the Warrants

The Warrants will be issued subject to and with the benefit of the Instrument in registered form by way of a deed poll to be executed by the Company and will form one class and rank pari passu in all respects with each other.

Each Warrant will give the holder thereof the right to subscribe for a Share based on an initial subscription price of HK\$0.172 per Share (subject to adjustments). The aggregate of the Placing Price of HK\$0.038 and the initial subscription price of HK\$0.172 per Share, i.e. HK\$0.21, represented a premium of approximately 4.48% over the closing price of HK\$0.201 per Share quoted on the Stock Exchange on 18 August 2005, being the last trading day before the date of this announcement and a premium of approximately 0.48% over the average closing price of HK\$0.209 per Share quoted on the Stock Exchange for the last five trading days up to and including 18 August 2005. The initial subscription price per share of HK\$0.172 represented: (a) a discount of approximately 14.43% to the closing price of HK\$0.201 per Share quoted on the Stock Exchange on 18 August 2005, being the last trading day before this announcement; (b) a discount of approximately 17.7% to the average closing price of HK\$0.209 per Share quoted on the Stock Exchange for the last five trading days up to and including 18 August 2005.

The subscription rights attaching to the Warrants may be exercised within the two-year period from the date of issue of the Warrants, which is expected to be on 3 October 2005 until 2 October 2007, both days inclusive. Any subscription rights attaching to the Warrants which have not been exercised on or before the last day of the Subscription Period will lapse following such date and the Warrants will cease to be valid for all purposes. For the purpose of dealings on the Stock Exchange, the board lot of the Warrants will be 100,000.

The new Shares falling to be issued upon exercise of the subscription rights attaching to the Warrants will rank *pari passu* in all respects with the then existing issued Shares.

Force majeure

The Placing Agreement contains provisions entitling the Placing Agent to terminate its obligations thereunder on the occurrence of any local, regional, national or international event or change of a political, military or economic nature, which results in a material adverse change in the political, economic or stock market conditions in Hong Kong in the context of the Placing and which materially affects the success of the Placing or any breach of the warranties and representations on the part of the Company under the Placing Agreement which is material in the context of the Placing prior to 5:30 p.m. on the date of Completion.

If the obligations of the Placing Agent under the Placing Agreement is so terminated, all obligations of each of the parties under the Placing Agreement shall cease and determine and neither party shall have any claim against any other party in respect of any matter arising out of or in connection with the Placing Agreement except for any antecedent breach of any obligation and liabilities mentioned in the Placing Agreement.

Reasons for the Placing and use of proceeds

The Directors consider that the Placing is an ideal opportunity to raise capital for the Company. In particular, (i) it does not have an instant dilution effect on the shareholding of the existing Shareholders; (ii) it raises funds immediately upon completion of the Placing, and if the Warrants are exercised, further funds will be raised for additional general working capital and the financial conditions and shareholder base of the Company will accordingly be strengthened; and (iii) it provides investors with an alternative means to invest in the Company. It is intended that the net issue proceeds of the Placing in full of approximately HK\$24.1 million with the net issue price of each Warrant to the Company being approximately HK\$0.0365 will be mainly used for general working capital as to advertising and promotion of the Group's technology products and general administration expenses of the Group. As at the date of this announcement, no specific investment projects have been identified by the Group. The Company will bear all expenses so arising from the Placing, which is expected to amount to approximately HK\$950,000.

Conditions of the Placing

Completion of the Placing Agreement is conditional on the fulfillment of the following conditions on or before 5:30 p.m. on 16 September 2005 (or such later time and date as may be agreed between the Company and the Placing Agent) (the "Long Stop Date"):

- (a) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, all the Warrants and any Shares falling to be issued on the exercise of the subscription rights attached to the Warrants;
- (b) if required, the Bermuda Monetary Authority approving the issue of the Warrants and any Shares falling to be issued on the exercise of the subscription rights attached to the Warrants;

- (c) the delivery to and registration by the Registrar of Companies in Hong Kong of a copy of the Prospectus duly signed by any two of the Directors (or by his agent duly authorised in writing) and having annexed to it all documents required to be annexed thereto, in accordance with section 342C of the Companies Ordinance; and
- (d) the delivery to and filing with the Registrar of Companies in Bermuda of a copy of the Prospectus, if applicable, duly signed by any Director for and on behalf of all the Directors of the Company in accordance with section 26 of the Companies Act.

All the conditions set out in the Placing Agreement are necessary for compliance with the relevant laws, rules and regulations to which the Company is subject and therefore must be fulfilled and could not be waived. Accordingly, there is no intention on the parties to waive any of the conditions.

In the event that the above conditions are not fulfilled by the Long Stop Date, the Placing Agreement will lapse and none of the parties will have any liabilities to the other save for any antecedent breaches thereof.

Application for listing

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Warrants and any Shares that may fall to be issued upon the exercise of the subscription rights attaching to the Warrants. Subject to the fulfillment of the above conditions, it is expected that dealings in the Warrants on the Stock Exchange will commence on 3 October 2005.

Shareholding structure of the Company

The existing shareholding structure of the Company and the shareholding structure of the Company upon exercise in full of the subscription rights attaching to the Warrants are set out as below:

Director	As at the date of this announcement		Immediately after the conversion of the Warrants in full	
	No. of Shares	Approximate percentage	No. of Shares	Approximate percentage
Mr. Chu	343,052,000	9.19	343,052,000	7.81
Mr. Cheung Wai Tung	10,000,000	0.27	10,000,000	0.23
Mr. Henry Chang Manayan	2,000,000	0.05	2,000,000	0.05
Mr. Wan Xiaolin	500,000	0.01	500,000	0.01
Placees	–	0	660,000,000	15.02
Other public Shareholders	3,378,427,642	90.48	3,378,427,642	76.88
Total	3,733,979,642	100.00	4,393,979,642	100.00

Apart from Mr. Chu, there is no person known to the Directors who was, as at the date of this announcement, directly or indirectly interested in 5% or more of the issued share capital of the Company.

General

The Company is an investment holding company with its subsidiaries principally engaged in the publication of comics, sales of Chinese operating system, processor, eTextbook and application software and investment holding.

The Prospectus containing further information relating to the Placing will be despatched to Shareholders for information only.

Save as for terminated placing of convertible bonds of up to HK\$300,000,000 as set out in the announcements of the Company dated 7 June 2005, 28 June 2005 and 29 July 2005 and the short term financing arrangements as set out in the announcements of the Company dated 28 June 2005 and 29 June 2005, the Group has not conducted any fund raising activities in the twelve months immediately before the date of this announcement.

Shareholders and potential investors should note that the 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).

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 19 August 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 22 August 2005.

DEFINITIONS

In this announcement, the following expressions have the respective meanings set out below unless the context otherwise requires.

“Board”	the board of Directors
“Company”	Culturecom Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
“Companies Act”	the Companies Act 1981 of Bermuda
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Completion”	completion of the Placing
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Instrument”	a separate instrument to be executed by the Company by way of a deed poll containing terms of the Warrants including the adjustment mechanisms of the initial subscription price for Shares
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chu”	Mr. Chu Bong Foo, the Vice-Chairman of the Company
“Placing”	the placing, on a best endeavours basis, of up to 660,000,000 Warrants pursuant to the Placing Agreement
“Placing Agent”	Kingston Securities Limited, a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	the conditional placing agreement entered into by the Company and the Placing Agent dated 18 August 2005 in relation to the Placing
“Placing Price”	HK\$0.038, being the issue price per Warrant payable in full on application under the Placing
“Prospectus”	the prospectus to be issued by the Company relating to the issue of the Warrants by the Company
“Shares”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Period”	the two-year period from the date of issue of the Warrants, which is expected to be on 3 October 2005 until 2 October 2007, both days inclusive

“Warrant(s)”

warrant(s) of the Company conferring rights in registered form to holder thereof to subscribe for one Share(s) at an initial subscription price of HK\$0.172 (subject to adjustments, including for consolidation or subdivision of Shares, capitalisation of profits or reserves or capital distribution) at any time during the Subscription Period

“HK\$”

Hong Kong dollars, the lawful currency of Hong Kong

“%”

per cent.

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

Hong Kong, 19 August 2005

** For identification purpose only.*

Please also refer to the published version of this announcement China Daily.