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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)

EXERCISE OF OPTION TO CALL FOR THE SUBSCRIPTION OF CONVERTIBLE BONDS

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules.

Reference is made to the announcement dated 21 June 2006. The Board is pleased to announce that on 24 April 2007, the Company has exercised the Option to call for subscription of the Tranche 2 Convertible Bonds. Upon exercising of Option, holders of Tranche 1 Convertible Bonds are obliged to subscribe for the Tranche 2 Convertible Bonds pursuant to the terms as specified in the Notice.

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Principal Terms of the Tranche 2 Convertible Bonds

Principal Amount: Up to HK\$36 million due 2008.

Maturity date: One year from the date of issue of the Tranche 2 Convertible Bonds. The Convertible Bonds cannot be redeemed in cash during the tenure of the Convertible Bonds by either the Company or the holder of the Convertible Bonds.

Conversion Period:	The Company may, by written notice to the holders of the Tranche 2 Convertible Bonds, require the relevant holders to convert the Tranche 2 Convertible Bonds into the Conversion Shares at any time and from time to time during the tenure of the Tranche 2 Convertible Bonds.
Interest:	Interest shall accrue at the rate equivalent to the best lending rate for Hong Kong dollar as quoted from time to time by The Hongkong and Shanghai Banking Corporation Limited minus 3%. Interest accruing under the Convertible Bonds is payable semi-annually in arrears on 31 March and 30 September in each year.
Security:	The Convertible Bonds will be unsecured.
Initial conversion price:	At the option of the holders of the Tranche 2 Convertible Bonds, the Convertible Bonds can be converted into the Conversion Shares at the initial conversion price of HK\$0.10 per Share (subject to adjustment). The initial conversion price was determined on an arm's length basis between the Company and the placing agent under placing agreement dated 19 June 2006, with reference to, among other things, the performance of the Share price on the Stock Exchange. The initial conversion price will be subject to adjustments for, amongst other things, consolidations or subdivisions of Shares, capital distributions, bonus issues, rights issues and other usual events which may have a dilution effect on the Conversion Shares to be allotted and issued to the holders of the Convertible Bonds upon the exercise of the conversion rights attaching to the Convertible Bonds. The initial conversion price of HK\$0.10 per Share represents: (i) a discount of approximately 31.03% over the closing price of HK\$0.145 per Share as quoted on the Stock Exchange on 24 April 2007, being the Last Trading Day; (ii) a discount of approximately 32.89% over the average closing price of the Shares of HK\$0.149 per Share as quoted on the Stock Exchange for the five trading-day period up to and including the Last Trading Date; (iii) a discount of approximately 31.51% over the average closing price of the Shares of HK\$0.146 per Share as quoted on the Stock Exchange for the

ten trading-day period up to and including the Last Trading Day; and (iv) a premium of approximately 96.0% over the net asset value per Share of approximately HK\$0.051 based on the consolidated net asset value of the Company as at 31 March 2006 as shown in its audited financial statements for the year ended on that date.

Transferability:

With the prior notification to the Company, the Convertible Bonds (or any part thereof) may be transferred or assigned by the holders of the Convertible Bonds to any party other than any person who is connected with the directors, chief executive and substantial shareholders of the Company and any of its subsidiaries, or an associate of any of them.

REASONS FOR EXERCISING THE OPTION

The net proceeds of the issue of the Tranche 2 Convertible Bonds are expected to be approximately HK\$35.5 million. It is currently intended that such amount will be used as general working capital of the Group.

CONDITIONS PRECEDENT

The issue of the Tranche 2 Convertible Bonds is subject to the Listing Committee of the Stock Exchange granting approval of the issue of the Convertible Bonds and the listing of, and permission to deal in, the Conversion Shares falling to be issued on the exercise of the Conversion Rights.

SUBSCRIPTION OF THE TRANCHE 2 CONVERTIBLE BONDS

To exercise the Option, the Company shall issue the Notice to the holders of the Tranche 1 Convertible Bonds specifying the time and manner of payment of the subscription money for the Tranche 2 Convertible Bonds. Upon receipt of the Notice from the Company, the holders of Tranche 1 Convertible Bonds shall be obliged to subscribe and pay, and the Company shall be obliged to issue, at the time and for the principal amount of the Tranche 2 Convertible Bonds as specified in the Notice.

EFFECT ON SHAREHOLDING STRUCTURE

The existing shareholding structure of the Company and the shareholding structure of the Company immediately upon issue of the Conversion Shares under the Tranche 2 Convertible Bonds are set out as below:

Name of Shareholders	Shareholding as at the date of this announcement	%	Shareholding upon completion of the subscription and full conversion of the Tranche 2 Convertible Bonds	
				%
Mr. Chu Bong Foo (Beneficial owner) (Note 1)	160,180,000	3.90	160,180,000	3.59
Bay-Club Enterprises Inc. (Note 2)	122,872,000	2.99	122,872,000	2.75
Mr. Henry Chang Manayan (Note 3)	2,000,000	0.05	2,000,000	0.04
Mr. Wan Xiaolin (Note 4)	500,000	0.01	500,000	0.01
Holder of Tranche 2 Convertible Bonds (Note 5)			360,000,000	8.06
Public:				
Other Shareholders	3,821,427,642	93.05	3,821,427,642	85.55
Total	<u>4,106,979,642</u>	<u>100</u>	<u>4,466,979,642</u>	<u>100</u>

Notes:

1. Mr. Chu Bong Foo is vice-chairman and one of the executive Directors.
2. 122,872,000 Shares are held by Bay-Club Enterprises Inc., the entire share capital of which is beneficially owned by Mr. Chu Bong Foo.
3. Mr. Henry Chang Manayan is one of the executive Directors of the Company.
4. Mr. Wan Xiaolin is one of the executive Directors of the Company.
5. Such Conversion Shares would fall to be allotted and issued upon the exercise of the conversion rights attaching to the Tranche 2 Convertible Bonds or upon the maturity date of the Tranche 2 Convertible Bonds.

General Mandate

As stated in the announcement of the Company dated 21 June 2006, the Conversion Shares will be issued under the general mandate to allot, issue and deal with new Shares granted to the Directors at the annual general meeting of the company held on 23 August 2005. 360,000,000 Shares have been issued under the general mandate in connection with the Tranche 1 Convertible Bonds as at the date of this announcement. The Company confirmed that about 51.79% of such general mandate has not been utilised as at the date of this announcement and no Shares have been repurchased by the Company within 30 days prior to the date of this announcement.

Based on the initial conversion price of HK\$0.10 per Conversion Share, a total of 360,000,000 Conversion Shares would fall to be allotted and issued upon the exercise of the conversion rights attached to the Tranche 2 Convertible Bonds. Such 360,000,000 Conversion Shares represent approximately 8.76% of the existing issued share capital of the Company as at the date of this announcement and will represent approximately 8.06% of the issued share capital of the Company as enlarged by the allotment and issue of such Conversion Shares.

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

GENERAL

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

The following table summaries the capital raising activities of the Group for the 12 months immediately before the date of this announcement:

Date of announcement	Event	Net proceeds	Intended use of net proceeds	Actual use of net proceeds as at the date of this announcement
21 June 2006	Tranche 1 Convertible Bonds	Approximately HK\$34.8 million	General working capital	same as intended

TERMS AND DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Company”	Culturecom Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Stock Exchange
“Convertible Bonds”	collectively, the Tranche 1 Convertible Bonds and the Tranche 2 Convertible Bonds
“Conversion Shares”	new Shares falling to be allotted and issued upon exercise of the conversion rights attaching to any of the Convertible Bonds
“Director(s)”	director(s) of the Company
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Last Trading Date”	24 April 2007, being the last trading day prior to the release of this announcement

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Notice”	a written notice to be given by the Company to the holders of the Tranche 1 Convertible Bonds, pursuant to which the holders of the Tranche 1 Convertible Bonds shall be obliged to subscribe and pay, and the Company shall be obliged to issue, at the time and for the principal amount of the Tranche 2 Convertible Bonds as specified in the said notice.
“Option”	the option of the Company to the holders of the Tranche 1 Convertible Bonds for subscription of the Tranche 2 Convertible Bonds
“Shareholder(s)”	holder(s) of the Shares
“Shares”	the ordinary shares of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tranche 1 Convertible Bonds”	the convertible bonds up to an aggregate principal amount of HK\$36 million has been issued by the Company to the subscribers under the placing agreement dated 19 June 2006
“Tranche 2 Convertible Bonds”	the convertible bonds up to an aggregate principal amount of HK\$36 million to be issued at the option of the Company to the holders of the Tranche 1 Convertible Bonds
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 24 April 2007

As at the date hereof, the Board comprises Mr. Cheung Wai Tung, Mr. Chu Bong Foo, 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).

** For identification purpose only*

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