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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)

(1) PLACING OF NEW SHARES UNDER GENERAL MANDATE AND (2) RESUMPTION OF TRADING

PLACING AGENT



KINGSTON SECURITIES LIMITED

THE PLACING

On 14 June 2007, the Company and the Placing Agent entered into the Placing Agreement pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best efforts basis, a maximum of 800,000,000 Placing Shares to independent institutional, corporate or individual investors at a price of HK\$0.22 per Placing Share.

The 800,000,000 Placing Shares represent (i) approximately 17.87% of the existing issued share capital of the Company of 4,477,579,642 Shares; and (ii) approximately 15.16% of the Company's issued share capital of 5,277,579,642 Shares as enlarged by the Placing.

The maximum net proceeds from the Placing of approximately HK\$172 million is intended to be used for possible investment in energy related business of which the Company has announced on 28 May 2007 that on 11 May 2007, Culturecom Holdings (BVI) Limited, a wholly owned subsidiary of the Company, entered into a non-binding memorandum of understanding with an independent

* For identification purpose only

third party and not a connected person (as defined under the Listing Rules) of the Company and its subsidiaries and their connected persons (as defined under the Listing Rules) regarding a possible investment of not less than 51% equity interests in a company which is principally engaged in energy sector related businesses, and/or for other possible diversified investment or project as and when the Board considers appropriate.

The Placing is conditional upon, among other things, the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Placing Shares.

Completion of the Placing is subject to the satisfaction of the conditions precedent in the Placing Agreement.

As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

At the request of the Company, trading in the securities of the Company on the Stock Exchange has been suspended from 9:30 a.m. on 14 June 2007 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the securities of the Company on the Stock Exchange from 9:30 a.m. on 15 June 2007.

THE PLACING AGREEMENT

On 14 June 2007, the Company and the Placing Agent entered into the Placing Agreement pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best efforts basis, a maximum of 800,000,000 Placing Shares to independent institutional, corporate or individual investors at a price of HK\$0.22 per Placing Share.

Date

14 June 2007

Issuer

The Company

Placing Agent

The Placing Agent has conditionally agreed to place in a maximum of 800,000,000 Placing Shares on a best efforts basis and will receive a placing commission of 2% on the gross proceeds of the actual number of Placing Shares being placed. The Directors (including the independent non-executive Directors) are of the view that the placing commission is fair and reasonable. The Placing Agent and its ultimate beneficial owners are independent third parties and not connected persons (as defined under the Listing Rules) of the Company and its subsidiaries and their connected persons (as defined under Listing Rules).

Placees

The Placing Agent agreed to place the Placing Shares on a best efforts basis to not less than six independent Placees who and whose ultimate beneficial owners are third parties independent of the Company and its subsidiaries and their connected persons (as defined under the Listing Rules). None of the Placees will become a substantial Shareholder (as defined under the Listing Rules) immediately after the Placing.

Placing Shares

The 800,000,000 Placing Shares represent (i) approximately 17.87% of the existing issued share capital of the Company of 4,477,579,642 Shares; and (ii) approximately 15.16% of the Company's issued share capital of 5,277,579,642 Shares as enlarged by the Placing.

Ranking of Placing Shares

The Placing Shares under the Placing will rank, upon issue, pari passu in all respects with the Shares in issue on the date of allotment and issue of the Placing Shares.

Placing Price

The Placing Price was fixed on the day of which the Company and the Placing Agent entered into the Placing Agreement, i.e. 14 June 2007. The Placing Price of HK\$0.22 represents:

- (i) a discount of approximately 11.65% to the closing price of HK\$0.249 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 13.39% to the average of the closing prices per Share of HK\$0.254 in the last five consecutive trading days prior to the date of the Placing Agreement; and
- (iii) a discount of approximately 12.35% to the average of the closing prices per Share of HK\$0.251 in the last ten consecutive trading days prior to the date of the Placing Agreement.

The Placing Price was determined with reference to the prevailing market price of the Share and was negotiated on an arm's length basis between the Company and the Placing Agent. The Directors (including the independent non-executive Directors) consider that the terms of the Placing are on normal commercial terms and are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

General Mandate

The Placing Shares will be issued under the General Mandate granted to the Directors by a resolution of the Shareholders passed at the AGM subject to the limit of up to 20% of the then issued share capital of the Company as at the date of the AGM (i.e. 804,795,928 Shares). Up to the date of this announcement, no new Share has been issued under the General Mandate.

Conditions of the Placing

Completion of the Placing is conditional upon:

- (i) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Placing Shares; and
- (ii) the Placing Agreement not being terminated in accordance with the terms of the Placing Agreement, including provisions regarding force majeure event.

Termination and force majeure

The Placing Agreement may be terminated by the Placing Agent if at any time at or before 10:00 a.m. on the date for completion of the Placing, there occurs any of the following force majeure events:

- (i) **the introduction of any new law or regulation or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or**
- (ii) **the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date of the Placing Agreement) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or adversely prejudices the success of the placing of the Placing Shares by potential investor(s) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Placing; or**
- (iii) **any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction on trading in securities) occurs which affect the success of the Placing (such success being the placing of the Placing Shares to potential investor(s)) or otherwise in the reasonable opinion of the Placing Agent make it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing.**

The Directors are not aware of the occurrence of any of the above events as at the date of this announcement.

Completion of the Placing

Completion of the Placing will take place within four business days after the fulfilment of the conditions of the Placing Agreement but not later than 20 July 2007 or such later date as may be agreed between the Company and the Placing Agent.

As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

OTHER INFORMATION ON THE PLACING

Reasons for the Placing

The Directors consider the timing of the fund raising by the Placing is appropriate as the recent stock market has shown strong sentiment and there is imminent demand for the Shares in view of the business prospect of the Group. The Directors also consider that the Placing represents an opportunity to raise additional capital for the Company to enhance its general working capital base and/or for certain possible diversified investment or project which is expected to improve the profitability and broaden the revenue stream of the Group, as and when the Board considers appropriate and favourable in the interest of the Company and the Shareholders as whole.

Use of proceeds

The maximum gross proceeds from the Placing will be approximately HK\$176 million. The maximum net proceeds from the Placing of approximately HK\$172 million is intended to be used for possible investment in energy related business of which the Company has announced on 28 May 2007 that on 11 May 2007, Culturecom Holdings (BVI) Limited, a wholly owned subsidiary of the Company, entered into a non-binding memorandum of understanding (the "MOU") with an independent third party and not a connected person (as defined under the Listing Rules) of the Company and its subsidiaries and their connected persons (as defined under the Listing Rules) regarding a possible investment ("Possible Investment") of not less than 51% equity interests in a company which is principally engaged in energy sector related businesses, and/or for other possible diversified investment or project as and when the Board considers appropriate. As at the date of this announcement, the parties are still discussing with the terms and conditions of the Possible Investment (including without limitation, the consideration and payment terms) on a preliminary basis and no agreement has been reached. Details of the MOU were set out in the Company's announcement dated 28 May 2007. Save for the Possible Investment, no other possible diversified investment has been identified by the Company as at the date of this announcement.

The maximum net proceeds raised per Share upon completion of the Placing will be approximately HK\$0.215 per Placing Share.

Fund raising activities in the past twelve months

Save for disclosed below, the Company has not conducted any fund raising activities in the past twelve months before the date of this announcement:

Date of announcement	Transaction	Net proceeds raised (approximately)	Completed	Intended use of proceeds	Actual use of proceeds
21 June 2006	Placing of convertible bonds with a principal amount of up to HK\$36 million (the “Tranche 1 Convertible Bonds”) on a best efforts basis, and at the option of the Company, could demand the holders of the Tranche 1 Convertible Bonds to subscribe for another tranche of convertible bonds (the “Tranche 2 Convertible Bonds”) with a principal amount of up to HK\$36 million	HK\$34.9 million	Fully	To be used for general working capital of the Group, in particular the administration expenses and daily operation needs	Approximately HK\$5 million has been used for general working capital of the Group. The remaining balance of approximately HK\$29.9 million is deposited in bank(s) and is intended to be used as general working capital of the Group
24 April 2007	The Company exercised the option to call for subscription of the Tranche 2 Convertible Bonds	HK\$35.5 million	Fully	To be used for general working capital of the Group	The proceeds has not yet been used and is deposited in bank(s). It is intended to be used as general working capital of the Group

Effects on shareholding structure

The existing and enlarged shareholding structure of the Company immediately before and after the issue of the Placing Shares (assuming that there are no other changes in the issued share capital of the Company) are set out below:

	As at the date of this announcement		Immediately after the Placing	
	No. of Shares	Approximate %	No. of Shares	Approximate %
Mr. Chu Bong Foo, an executive Director (<i>Note</i>)	283,052,000	6.32%	283,052,000	5.36%
Mr. Henry Chang Manayan, an executive Director	2,000,000	0.04%	2,000,000	0.04%
Mr. Wan Xiaolin, an executive Director	500,000	0.01%	500,000	0.01%
Public:				
– Shares to be issued under the Placing	0	0.00%	800,000,000	15.16%
– Other public Shareholders	4,192,027,642	93.63%	4,192,027,642	79.43%
Total	<u>4,477,579,642</u>	<u>100.00%</u>	<u>5,277,579,642</u>	<u>100.00%</u>

Note: 283,052,000 Shares comprise of (i) 160,180,000 Shares personally owned by Mr. Chu Bong Foo (being the executive director of the Company) and (ii) 122,872,000 Shares held by Bay-Club Enterprises Inc. which is 100% beneficially owned by Mr. Chu Bong Foo.

As at the date of this announcement, the existing authorized share capital of the Company consists of 10,000,000,000 Shares out of which 4,477,579,642 Shares are issued and fully paid up.

As at the date of this announcement, there are outstanding warrants entitling the holders thereof to subscribe for 656,000,000 Shares and outstanding convertible bonds with the principal amount of HK\$7,000,000.

GENERAL

The principal business of the Company is the publication of comics and related business, sales of Chinese operating system, processor and application software and investment holding.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Placing Shares.

Further announcement will be made by the Company when the number of Placing Shares placed out is confirmed or the Placing is fully completed.

RESUMPTION OF TRADING

At the request of the Company, trading in the securities of the Company on the Stock Exchange has been suspended from 9:30 a.m. on 14 June 2007 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the securities of the Company on the Stock Exchange from 9:30 a.m. on 15 June 2007.

Terms and definitions

“AGM”	the annual general meeting of the Company held on 24 August 2006
“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
“Director(s)”	director(s) of the Company
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the AGM, among other things, to allot, issue and deal with up to 20% of the then issued share capital of the Company as at the date of the AGM
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Last Trading Day”	13 June 2007, being the last trading day for the Shares before the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placee(s)”	any individual(s), institutional or other professional investor(s) or any of their respective subsidiaries or associates procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing Agent’s obligations under the Placing Agreement
“Placing”	placing of a maximum of 800,000,000 new Shares pursuant to the terms of the Placing Agreement
“Placing Agent”	Kingston Securities Limited, a licensed corporation to carry on business in type 1 regulated activities (dealing in securities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

“Placing Agreement”	the conditional placing agreement entered into between the Company and the Placing Agent dated 14 June 2007 in relation to the Placing
“Placing Price”	HK\$0.22 per Placing Share
“Placing Share(s)”	up to a maximum of 800,000,000 new Shares to be placed through the Placing Agent pursuant to the Placing Agreement
“Share(s)”	ordinary share(s) of HK\$0.10 in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 14 June 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).

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