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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: 00343)

PLACING OF CONVERTIBLE BONDS UNDER GENERAL MANDATE AND CHANGE IN USE OF PROCEEDS FROM THE SUBSCRIPTION

Placing Agent



信達國際證券有限公司
CINDA INTERNATIONAL SECURITIES LIMITED

PLACING OF CONVERTIBLE BONDS

On 12 June 2023 (after trading hours of the Stock Exchange), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent conditionally agrees to procure, as agent of the Company, on a best effort basis, for no less than six Placées to subscribe for the Convertible Bonds in the aggregate principal amount of up to HK\$100,000,000.00.

The Convertible Bonds carry the right to be converted into the Conversion Shares at the initial Conversion Price of HK\$0.50 per Share (subject to adjustment). Assuming (i) the Convertible Bonds are fully placed and subscribed; (ii) the Conversion Rights are exercised in full at the Conversion Price without adjustment; and (iii) there is no other change in the issued share capital of the Company between the date of this announcement and the full conversion of the Convertible Bonds, upon full conversion of the Convertible Bonds, a maximum of 200,000,000 Conversion Shares will be allotted and issued to the Placees, representing approximately 11.99% of the existing issued share capital of the Company as at the date of this announcement and approximately 10.70% of the Company's issued share capital as enlarged by the allotment and issue of the Conversion Shares.

The Conversion Shares will be allotted and issued under the General Mandate. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares that may be allotted and issued upon conversion of the Convertible Bonds. No application will be made for listing of, or permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock exchange.

The gross proceeds from the Placing will be up to HK\$100,000,000.00. The net proceeds from the Placing (after deducting the commission for the Placing and other costs and expenses) will be approximately HK\$98,500,000.00.

Completion of the Placing is subject to the satisfaction of the conditions precedent set out in the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

CHANGE IN USE OF PROCEEDS FROM THE SUBSCRIPTION

References are made to (i) the announcements of the Company dated 1 March 2021, 30 April 2021 and 6 May 2021; and (ii) the circular of the Company dated 9 April 2021, in relation to, amongst other things, the allotment and issue of the Shares by the Subscription under such specific mandate duly passed on 30 April 2021 as ordinary resolution of the Company.

On 12 June 2023, after careful consideration and detailed evaluation of the Group's operations and business strategy, the Directors resolved to change the use of the net proceeds raised from the Subscription which has not been utilised, in the amount of approximately HK\$17,420,000.00, to be used as general working capital of the Group including but not limited to salaries and benefits, rental and utilities, other general and administrative expenses for the Group, which is expected to be fully utilised by the Group by 31 March 2024.

PLACING OF CONVERTIBLE BONDS

On 12 June 2023 (after trading hours of the Stock Exchange), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent conditionally agrees to procure, as agent of the Company, on a best effort basis, for no less than six Placees to subscribe for the Convertible Bonds in the aggregate principal amount of up to HK\$100,000,000.00.

The principal terms of the Placing Agreement are set out below:

THE PLACING AGREEMENT

Date

12 June 2023 (after trading hours of the Stock Exchange)

Parties to the Placing Agreement

Company: The Company

The Placing Agent: Cinda International Securities Limited

As advised by the Placing Agent, the Placing Agent is a company with limited liability incorporated in Hong Kong and it is a corporation licensed to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiry, the Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties.

Subject Matter

Pursuant to the terms and conditions of the Placing Agreement, the Placing Agent has conditionally agreed to procure no less than six (6) Placees to subscribe for the Convertible Bonds in the aggregate principal amount of up to HK\$100,000,000.00 at the initial Conversion Price of HK\$0.50 (subject to adjustment) on a best-effort basis.

Placees

Pursuant to the Placing Agreement, the Placing Agent shall ensure that each of the Placees and/or their respective ultimate beneficial owner(s) shall be Independent Third Parties, and not parties acting in concert with any other Placee(s) and/or Shareholders to the effect that any Placing to such Placee(s) shall not trigger any mandatory offer obligation under Rule 26.1 of the Takeovers Codes. Furthermore, it is expected that, and the Placing Agent shall as well ensure that, none of the Placees will become a substantial Shareholder (as defined under the Listing Rules) upon the full conversion of the Convertible Bonds.

Conditions of the Placing

The Placing is conditional upon the following conditions being fulfilled (or as the case may be, waived):

- (a) the granting by the Listing Committee of listing of, and permission to deal in, all of the Conversion Shares being obtained and not being subsequently revoked or cancelled on or prior to the Completion;
- (b) all necessary authorizations, consent and approvals as may be obtained by the Company and the Placing Agent having been obtained in respect of the Placing Agreement from relevant authorities (including but not limited to the Stock Exchange);
- (c) the representations, warranties and undertakings made by the Company pursuant to the Placing Agreement being true, accurate, complete in all material respects and not misleading as of the date of the Placing Agreement up to the Completion; and
- (d) no material adverse change has taken place regarding the conditions of the Group (financials or others), which is material with respect to the Placing, on or prior to the Completion.

Conditions precedent (a), (b) and (d) above cannot be waived by any party to the Placing Agreement, but condition precedent (c) above can be waived unilaterally by the Placing Agent. The parties to the Placing Agreement shall use their best endeavours to procure the fulfillment of the abovementioned conditions precedent (except such condition(s) precedent having been waived, as the case may be).

If any of the conditions is not fulfilled (or waived, as the case may be) on or before 3 July 2023 (i.e. the long stop date contemplated under the Placing Agreement for the fulfillment of the above conditions for the Placing), or such later date as the parties of the Placing Agreement may agree in writing, the Placing Agreement shall be terminated, all rights, obligations and liabilities of the Company and the Placing Agent in relation to the Placing shall cease and determine and that they shall both be released from all their respective obligations pursuant to the Placing Agreement and neither party shall have any claim against one another for costs, damages, compensation or otherwise arising under the Placing Agreement, save and except for any antecedent breaches of the Placing Agreement.

Placing commission

The Placing Agent will be entitled a placing commission equal to 0.5% of the aggregate principal amount of the Convertible Bonds actually placed by the Placing Agent. The placing commission was determined after arm's length negotiations between the Company and the Placing Agent with reference to the prevailing market rate.

Placing period

The placing period for the Placing shall commence on the date of the Placing Agreement and expire at 5:00 p.m. on 30 June 2023 (or such other time and date as may be agreed between the parties to the Placing Agreement in writing).

Completion

The Completion shall take place on a date falling on the third Business Day after the fulfillment (or as the case may be, waiver) of the conditions precedent set out above (or such later date as may be agreed between the parties to the Placing Agreement in writing).

Termination

The Placing Agent may, in its reasonable opinion, terminate the Placing Agreement by notice in writing to the Company given at any time up to 8:00 a.m. on the date of the Completion if:

- (a) there is any change in national, international, financial, exchange control, political, economic conditions in Hong Kong which in the reasonable opinion of the Placing Agent would be materially adverse in the consummation of the Placing;
- (b) there is any breach of the warranties, representations and undertakings given by the Company in the Placing Agreement and such breach is considered by the Placing Agent on reasonable grounds to be material in the context of the Placing;
- (c) there is any material change (whether or not forming part of a series of changes) in market conditions which in the reasonable opinion of the Placing Agent would materially and prejudicially affect the Placing or makes it inadvisable or inexpedient for the Placing to proceed;
- (d) there is any suspension of dealings in the Shares on the Stock Exchange for more than five consecutive Business Days (other than as a result of or in connection with the Placing); or
- (e) any event of force majeure (being an event beyond the control of the parties and which is unforeseeable or unavoidable), including but without limiting the generality hereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out, occurs which prevents the performance of the contractual obligations of the parties under the Placing Agreement.

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

Principal terms of the Convertible Bonds

Set out below are the principal terms of the Convertible Bonds:

- Issuer : The Company
- Principal amount : Up to HK\$100,000,000.00
- Maturity Date : the date falling on the second anniversary of the Issue Date, and if that is not a Business Day, the first Business Day after
- Interest : The Convertible Bonds bear interest from and including the Issue Date to and including the Maturity Date of 8% per annum, payable on a semi-annual basis in arrears from the Issue Date.
- Status : The Convertible Bonds constitute general, unsecured and unsubordinated obligations of the Company and shall rank *pari passu* among themselves.

Upon the exercise of the Conversion Rights pursuant to the terms and conditions of the CB Instrument, the Conversion Shares will rank, upon issue, *pari passu* in all respects with the Shares in issue on the date of the allotment and issue of the Conversion Shares.

- Conversion Price : The initial Conversion Price shall be HK\$0.50 per Conversion Share, subject to adjustment(s) upon occurrence of certain events as summarised in the paragraph headed “Adjustments of Conversion Price” below. The initial Conversion Price of HK\$0.50 per Conversion Share represents:

The initial Conversion Price represents:

- (a) a premium of approximately 31.58% to the closing price of HK\$0.380 per Share as quoted on the Stock Exchange on 12 June 2023, being the date of the Placing Agreement;
- (b) a premium of approximately 31.93% to the average closing price of HK\$0.379 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Placing Agreement; and

- (c) a premium of approximately 32.98% to the average closing price of HK\$0.376 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the date of the Placing Agreement.

The aggregate nominal value of the number of Conversion Shares to be allotted and issued will be HK\$2,000,000.00.

The Conversion Price was determined and negotiated on an arm's length basis between the Company and the Placing Agent and with reference to the market conditions, the Group's existing financial position and the prevailing market price of the Shares. The Directors (including the independent non-executive Directors) consider that the Conversion Price is fair and reasonable and the Placing is in the interest of the Company and the Shareholders as a whole.

Adjustments of Conversion :
Price

The initial Conversion Price shall be adjusted if any of the following events arises:

- (a) any alteration to the nominal value of the Shares as a result of consolidation or subdivision or reclassification;
- (b) if the Company issues any Shares credited as fully paid to any Shareholder by way of capitalisation of profits or reserves other than Shares issued in lieu of the whole or a part of a cash dividend or capital distribution;
- (c) issue of Shares by way of a scrip dividend where the market price of such Shares exceeds the amount of the relevant cash dividend or the relevant part thereof and which would not have constituted a capital distribution;
- (d) the payment or making of any capital distribution to the Shareholders;
- (e) the issue of Shares to Shareholders by the Company by way of rights, or issue or grant to Shareholders, by way of rights, options or warrants to subscribe for new Shares, at less than 90% of the Current Market Price per Share;

- (f) the issue of any securities (other than Shares or options or warrants to subscribe for new Shares) by the Company to Shareholders by way of rights;
- (g) the issue by the Company wholly for cash of any Shares or the issue or grant by the Company of any options or warrants to subscribe for new Shares in each case at a price per Share which is less than 90% of the Current Market Price per Share;
- (h) the issue wholly for cash by the Company of any securities (other than the Convertible Bond) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares or securities which by their terms might be redesignated as Shares to be issued by the Company upon conversion, exchange, subscription or redesignation at a consideration per Share which is less than 90% of the Current Market Price per Share; and
- (i) any modification of the rights of conversion, exchange, subscription or redesignation attaching to any such securities as mentioned in (h) above (other than the Convertible Bond and any adjustment to the Conversion Price in accordance with the terms applicable to such securities) so that following such modification the consideration per Share is less than 90% of the Current Market Price.

Conversion Shares : Assuming (i) the Convertible Bonds are fully placed and subscribed; (ii) the Conversion Rights are exercised in full at the Conversion Price without adjustment; and (iii) there is no other change in the issued share capital of the Company between the date of this announcement and the full conversion of the Convertible Bonds, upon full conversion of the Convertible Bonds, a maximum of 200,000,000 Conversion Shares will be allotted and issued to the Placees, which represents:

- (1) approximately 11.99% of the existing issued share capital of the Company as at the date of this announcement; and
- (2) approximately 10.70% of the Company's issued share capital as enlarged by the allotment and issue of the Conversion Shares.

Conversion Period : The Conversion Rights may be exercised at any time from the date falling on the sixth monthiversary of the Issue Date and ending on the Maturity Date (both days inclusive).

Conversion Rights & Conversion Restriction : The Convertible Bondholder(s) has the right to convert the whole or part of the outstanding principal amount of the Convertible Bonds (in the amount of HK\$100,000.00 or integral multiples thereof) at any time during the Conversion Period (subject to the schedule of conversion throughout the Conversion Period contemplated above).

No Convertible Bondholder shall exercise such Conversion Rights with respect to his/her/its Convertible Bonds and the Company shall not issue any Conversion Share in the event that the exercise of such Conversion Rights by the Convertible Bondholder(s) will cause: (1) the Convertible Bondholder(s) and/or parties acting in concert (as defined in the Takeovers Codes) with it being required to make a mandatory general offer to other Shareholders in accordance with Rule 26 of the Takeovers Codes; and/or (2) the public float of the Company being less than 25% of its issued share capital.

Redemption on maturity : The Company shall not redeem any Convertible Bonds prior to Maturity Date.

By the Maturity Date, all Convertible Bonds not yet converted shall be redeemed by the Company in full in the sum of (i) 100% of the outstanding principal amount of the Convertible Bonds; (ii) any outstanding interests accrued thereupon; and (iii) any other outstanding amount due and payable under the Convertible Bonds (if any), within thirty (30) Business Days after the Maturity Date.

Redemption on default : If any of the events of default specified in the CB Instrument occurs, the Company shall forthwith give notice to the Convertible Bondholder and each Convertible Bondholder may (without prejudice to any other rights and remedies available to the Convertible Bondholder), opt to issue a notice of redemption to the Company in respect of all or part of the principal amount of the Convertible Bonds held by it, whereupon the Convertible Bonds shall immediately become due and payable at a redemption amount equal to the aggregate of 100% of the principal amount of the outstanding Convertible Bonds and such outstanding interests accrued thereupon.

Transferability : The Convertible Bonds can be transferred to any person after the Issue Date with the written consent of the Company and provided that such transfer is made in accordance with the Listing Rules. The Convertible Bonds may be transferred in whole or part (in the amount of HK\$100,000.00 or integral multiples thereof), and transfer of the Convertible Bonds to a person who is not an Independent Third Party shall be void.

GENERAL MANDATE TO ALLOT AND ISSUE OF THE CONVERSION SHARES

The Conversion Shares will be allotted and issued pursuant to the General Mandate. The maximum number of Shares to be issued and allotted pursuant to the General Mandate granted to the Directors by resolution of the Shareholders passed at the AGM held on 23 August 2022, under which the Directors may allot and issue up to 333,731,363 Shares (representing approximately 20.00% of the issued share capital of the Company as at the date of the passing of the resolution at the AGM).

As at the date of this announcement and immediately prior to the entering into of the Placing Agreement, the General Mandate has not been utilised. As such, the allotment and issue of the Conversion Shares is not subject to further Shareholders' approval.

APPLICATION FOR LISTING OF THE CONVERSION SHARES

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares that may be allotted and issued upon conversion of the Convertible Bonds. No application will be made for listing of, or permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock exchange.

REASONS FOR AND BENEFITS OF THE PLACING AND USE OF PROCEEDS

The Company is an investment holding company and the Group is principally engaged in digital marketing, publishing and intellectual properties licensing, and retailing and wholesales.

Assuming all the Convertible Bonds are fully placed and subject to the Completion, it is expected that the maximum gross proceeds and net proceeds (after deducting placing commission and other relevant costs and expenses of the Placing) from the Placing will be up to approximately HK\$100,000,000.00 and HK\$98,500,000.00 respectively. On such basis, the net Conversion Price will be approximately HK\$0.493 per Conversion Share.

The following table sets forth the intended utilisation of the net proceeds raised from the Placing by the Company:

Intended utilisation of net proceeds	Net proceeds (approximate) (HK\$)	Approximate Percentage of net proceeds
Injection of capital for the artificial intelligence language processing technology development and production of software and chipset, and marketing expenses for products	68.95 million	70.00%
Working capital for the revitalization and promotion of the Group's intellectual properties	19.70 million	20.00%
General working capital of the Group, including the payment of salary, rental expenses, IT services and other office overhead of the Group	<u>9.85 million</u>	<u>10.00%</u>
Total:	<u>98.50 million</u>	<u>100.00%</u>

Despite the outbreak of COVID-19 pandemic has caused the Group to experience a reduction of its business activities regarding intellectual properties related business and digital marketing, the Board strives hard to maximise value for the Shareholders by pursuing all potential viable business opportunities and expanding its business segments in order to broaden the revenue and profit base of the Group. In light of (i) the anticipated recovery in economy in the second half of 2023; and (ii) increasing prevalence of technology in service sector, the Board, with its aspirations on artificial intelligence technology, together with the continuous research and development for the same conducted by the Group, intends to further inject capital on the development and production of software and chipset with artificial intelligence processing technology, with a focus on Chinese language voice recognition, which is anticipated to have broad applications. It will also be capable to support the Group's business on digital marketing, boosting the profit for that segment of business.

Regarding the aforesaid, further announcement(s) in connection to such business development will be made by the Company as and when appropriate in accordance with the Listing Rules.

In addition to the above, the Board remains focused to the development of its other existing businesses. In view of the anticipated recovery of economy, the Board considers it an appropriate timing to revitalise the Group's intellectual properties by means of digitalisation and commercialization, in order maintain their competitive advantage and facilitate the long-term business development of the Group.

The Board of Directors (including the independent non-executive Directors) is of the view that the Placing will (i) strengthen the capital base and financial position of the Group; (ii) provide a higher liquidity to increase its operational flexibility; (iii) sustain its capability for financing any of its potential business development opportunities on the Group's existing businesses, as and when suitable opportunity arises; and (iv) provide and for the use of general working capital of the Group. Furthermore, the Group is able to enhance the resistance to liquidity risk of the Group by means of equity fundraising. Last but not least, the Placing of the Convertible Bonds will not result in immediate dilution effect on the shareholding of the existing Shareholders.

In view of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Placing Agreement and the transactions contemplated thereunder (including the Placing, the Conversion Price and the Placing commission payable to the Placing Agent) are fair and reasonable and with reference to the prevailing market conditions. The Placing and the entry into the Placing Agreement are in the interest of the Company and the Shareholders as a whole.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 1,668,656,816 Shares.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the allotment and issue of the Conversion Shares upon the exercise of the Conversion Rights in full (assuming that (a) the Convertible Bonds are fully placed and subscribed; and (b) there is no further issue or repurchase of Shares, or otherwise any other change in the issued share capital of the Company between the date of this announcement and the full conversion of the Convertible Bonds):

Shareholders	As at the date of this announcement		Upon full conversion of the Convertible Bonds (Note 2)	
	No. of Shares	Approximate %	No. of Shares	Approximate %
L&W Holding Limited (Note 1a, 1b)	178,767,312	10.71	178,767,312	9.57
Mr. Dizon Basilio (Note 1a)	276,975,112	16.60	276,975,112	14.82
Ms. Chow Lai Wah Livia (Note 1b)	276,975,112	16.60	276,975,112	14.82
Public Shareholders (other than the Convertible Bondholders)	1,391,681,704	83.40	1,391,681,704	74.48
Convertible Bondholders (Note 3)	0	0	200,000,000	10.70
Total:	1,668,656,816	100.00	1,868,656,816	100.00

Notes:

1. (a) Mr. Dizon Basilio (“**Mr. Dizon**”) is beneficially interested in 56,443,200 shares in the Company. Mr. Dizon also has controlling interests as to 65% in L&W Holding Limited (“**L&W**”) and L&W is beneficially interested in 178,767,312 shares in the Company. Furthermore, Mr. Dizon is the legal and beneficial owner as to 80% of Sociedade Gold Mind Telecom, Limitada which in turn is beneficially interested in 8,801,800 shares in the Company. Ms. Chow Lai Wah Livia (“**Ms. Chow**”), the spouse of Mr. Dizon and the Director of the Company (resigned on 13 January 2023), is beneficially interested in 32,962,800 shares in the Company. Accordingly, Mr. Dizon is deemed to be interested in 276,975,112 shares in the Company under the SFO in aggregate.

(b) Ms. Chow is beneficially interested in 32,962,800 shares in the Company. As Ms. Chow is the spouse of Mr. Dizon and has controlling interests (as to 35%) in L&W, she is deemed to be interested in 276,975,112 shares in the Company under the SFO.
2. Assumption is made for all the Convertible Bonds will be placed by the Placing Agent to the Convertible Bondholders and the number of the Conversion Shares upon the Conversion Rights being exercised in full will be 200,000,000 Conversion Shares.
3. The Placees of the Convertible Bonds are Convertible Bondholders upon Completion, and they will become Shareholders upon their exercise of the Conversion Rights with the Convertible Bonds placed to them in accordance with the terms and conditions of the CB Instrument.

As at the date of this announcement, there are 14,000,000 outstanding Share Options with an exercise price of HK\$0.720 per Share Option which entitle the holders of the Share Options to subscribe for 14,000,000 Shares under the Share Option Scheme.

Save as disclosed above, as at the date of this announcement, the Company has no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY DURING THE PAST 12 MONTHS

The Company has not conducted any equity fund raising activity in the past twelve months preceding the date of this announcement.

Completion of the Placing is subject to the satisfaction of the conditions precedent set out in the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

CHANGE IN USE OF PROCEEDS FROM THE SUBSCRIPTION

References are made to (i) the announcements of the Company dated 1 March 2021, 30 April 2021 and 6 May 2021; and (ii) the circular of the Company dated 9 April 2021, in relation to, amongst other things, the allotment and issue of the Shares by the Subscription under such specific mandate duly passed on 30 April 2021 as ordinary resolution of the Company.

As disclosed in the circular of the Company dated 9 April 2021, the Company intended to use the net proceeds from the Subscription of approximately HK\$41,400,000.00 as follows:

- (1) approximately HK\$8,600,000.00 as working capital for building and strengthening the marketing and technical team;
- (2) approximately HK\$15,200,000.00 as working capital for provision of management services for key opinion leaders;
- (3) approximately HK\$11,900,000.00 for potential acquisition opportunities to enhance the Group's competitiveness and long-term sustainability; and
- (4) approximately HK\$5,700,000.00 as general working capital of the Group.

As at the date of this announcement, the net proceeds from the Subscription intended to be utilised as working capital for provision of management services for key opinion leaders (i.e. approximately HK\$15,200,000.00) has not been utilised accordingly; and approximately HK\$2,220,000.00 intended for potential acquisition opportunities to enhance the Group's competitiveness and long-term sustainability has not been utilised. Therefore, approximately HK\$17,420,000.00 of the net proceeds from the Subscription has not been utilised as at the date of this announcement.

On 12 June 2023, after careful consideration and detailed evaluation of the Group's operations and business strategy, the Directors resolved to change the use of the net proceeds raised from the Subscription which has not been utilised, in the amount of approximately HK\$17,420,000.00, to be used as general working capital of the Group including but not limited to salaries and benefits, rental and utilities, other general and administrative expenses for the Group, which is expected to be fully utilised by the Group by 31 March 2024.

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS

Subsequent to the completion of the Subscription, the COVID-19 pandemic has lasted for approximately 20 months in Hong Kong, which resulted in the reduction of business activities for digital marketing. Correspondingly, the Board is of the view that allocating resources for (i) working capital for provision of management services for key opinion leaders who were intended to be engaged for the Group's digital marketing; and (ii) acquisition opportunities which had not emerged, become a lower priority. The Board is also of the view that the reallocation would allow the Group to utilise its financial resources in a more flexible and efficient way and to meet its operational needs and provide more buffer to cope with the economic uncertainties in the future.

The Board considers that the reallocation of the net proceeds raised from the Subscription will allow the Company to deploy the financial resources of the Group more effectively, and in light of the positive effect of the change of use of the net proceeds raised from the Subscription on the Group's business, the Board considers that such reallocation is in the interests of the Company and its shareholders as a whole. The Board further confirms that the above reallocation of the net proceeds will not have any material adverse effect on the existing business and operations of the Group.

To cater for the business needs of the Group from time to time, the Directors will continuously assess the changing market conditions and may revise the use of the net proceeds raised from the Subscription where necessary. Save as disclosed in this announcement, the Board confirms that, as at the date of this announcement, there are no other changes to the utilisation of the net proceeds (which has not been utilised) raised from the Subscription. The Company will make further announcement(s) as and when there is any material development on the matter in accordance with the Listing Rules.

DEFINITIONS

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

“AGM”	the annual general meeting of the Company held and convened on 23 August 2022
“associates”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors

“Business Day”	means a day (other than Saturday and days on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks are open in Hong Kong for general banking business
“CB Instrument(s)”	the instrument(s) constituting the Convertible Bonds
“Company”	Culturecom Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 0343)
“Completion”	the completion of the Placing in accordance with the terms and conditions set out in the Placing Agreement
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Conversion Period”	any time from the date falling on the sixth monthiversary of the Issue Date and ending on the Maturity Date (both days inclusive), during which the Convertible Bondholders may exercise the Conversion Rights
“Conversion Price”	the initial conversion price of HK\$0.50 per Conversion Share, subject to adjustments
“Conversion Rights”	the rights pursuant to the terms and conditions of the CB Instruments attached to the Convertible Bonds, to convert the principal amount or a part thereof into Shares
“Conversion Shares”	the Shares to be allotted and issued by the Company upon exercise of the Conversion Rights, the maximum number of which shall be 200,000,000 Shares
“Convertible Bonds”	the two-year 8% convertible bonds of the Company in an aggregate principal amount of up to HK\$100,000,000.00 to be issued by the Company and to be placed by the Placing Agent pursuant to the terms and conditions of the Placing Agreement
“Convertible Bondholder(s)”	the person(s)/entity(ies) in whose name the Convertible Bonds are registered

“Current Market Price”	in respect of a Share at a particular date, the average of the price published in the Stock Exchange’s daily quotation sheets for one Share for the five consecutive dealing days ending on the dealing day immediately preceding such date
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Directors at the AGM to allot, issue or 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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and its connected persons and is not acting in concert (as defined in the Takeovers Codes) with any of the connected persons of the Company or any of their respective associates (as defined under the Listing Rules)
“Issue Date”	initial date of issue of the Convertible Bonds on the date of the Completion
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	3 July 2023, or such later date as may be agreed by the Company and the Placing Agent
“Maturity Date”	the date falling on the second anniversary of the Issue Date, and if that is not a Business Day, the first Business Day after
“Placees”	any Professional Investor who are Independent Third Parties, with whom the Placing Agent or its sub-agent(s) procure(s) to subscribe for the Convertible Bonds

“Placing”	the placing of the Convertible Bonds in the aggregate principal amount of up to HK\$100,000,000.00 to the Placees, on a best effort basis, procured by the Placing Agent on the terms and subject to the condition set out in the Placing Agreement
“Placing Agent”	Cinda International Securities Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO
“Placing Agreement”	the conditional placing agreement entered into between the Company and the Placing Agent dated 12 June 2023 in relation to the Placing of the Convertible Bonds
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Professional Investor(s)”	a professional investor as defined in Schedule 1 of the SFO
“SFO”	Securities and Future Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary shares in the issued share capital of the Company, in the par value of HK\$0.01
“Share Options”	options entitling holder(s) of which to subscribe Shares pursuant to the terms and conditions of the Share Option Scheme
“Share Option Scheme”	share option scheme of the Company adopted on 12 August 2013
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed thereto in the Listing Rules
“Subscription”	subscription of Shares by Trinity Gate Limited, an Independent Third Party, for which such Shares had been allotted and issued under the approval with the special mandate granted by the Shareholders to the Directors at the special general meeting of the Company held on 30 April 2021

“Takeovers Codes”	The Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission of Hong Kong
“trading day”	means a day on which the Exchange is open for the trading of securities
“%”	per cent

By order of the Board
Culturecom Holdings Limited
Kwan Kin Chung
Managing Director

Hong Kong, 12 June 2023

As at the date hereof, the Board comprises of Mr. Kwan Kin Chung and Mr. Yuen Kin (all being Executive Directors); Mr. Wong Kon Man Jason (being Chairman and Non-executive Director) and Dr. Liu Ka Ying Rebecca (being Vice Chairman and Non-executive Director); and Mr. Wong Kwan Kit, Mr. Fan Chun Wah Andrew and Mr. Mung Yat Lik (all being Independent Non-executive Directors).

* *for identification purpose only*