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## **CULTURECOM HOLDINGS LIMITED**

文化傳信集團有限公司\*

*(Incorporated in the Bermuda with limited liability)*

(Stock Code: 343)

### **PRIVATE PLACING OF UP TO 1,140,000,000 LISTED WARRANTS AND RESUMPTION OF TRADING**

**Placing Manager**



**KINGSTON CORPORATE FINANCE LIMITED**

**Placing Agent**



**KINGSTON SECURITIES LIMITED**

On 31 October 2007, the Company entered into the Placing Agreement with the Placing Agent in connection with the Placing, on a best endeavours basis, to place 1,140,000,000 Warrants conferring rights to subscribe, up to HK\$157,320,000 in aggregate in cash, for 1,140,000,000 new Shares at an initial subscription price of HK\$0.138 per Share (subject to adjustments under certain circumstances, including consolidation or subdivision of the Shares, capitalisation of profits or reserves or capital distribution) to not less than 300 individuals, corporate and/or institutional investors and securities dealers who are independent of and not connected with the Company and its subsidiaries and their connected persons (as defined in the Listing Rules).

The Warrants are to be placed at a Placing Price of HK\$0.022 per Warrant. The Placing

is conditional upon several conditions as set out in the paragraph headed “Conditions of the Placing” in the section headed “Placing Agreement dated 31 October 2007” in this announcement. It is intended that the net proceeds of approximately HK\$24 million from the Placing will be mainly used as general working capital of the Company and the net proceeds of approximately HK\$157 million from the exercise of the Warrants will be used for possible investment or project which is expected to improve the profitability, sustain its growth momentum and broaden the revenue stream of the Group, as and when the Board considers appropriate and favourable in the interest of the Company and its Shareholders as a whole. As at the date of this announcement, no specific investment or project has been identified by 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 are 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 new 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 paragraph headed “Conditions of the Placing” in the section headed “Placing Agreement dated 31 October 2007” below, it is expected that dealings in the Warrants on the Stock Exchange will commence on 7 January 2008 (subject to changes).

## **GENERAL**

At the annual general meeting of the Company held on 21 September 2007 (the “AGM”), the Directors were granted by the Shareholders a general mandate to allot, issue and deal with the Shares falling 20% of the issued share capital of the Company as at the date of the AGM. By a resolution of Directors passed on 31 October 2007, the Directors have resolved to issue Warrants in registered form conferring rights upon the holders thereof, exercisable in whole or in part at any time during the period from 7 January 2008 to 6 January 2010 (both days inclusive) (subject to changes), to subscribe in aggregate up to HK\$157,320,000 for new Shares in the share capital of the Company.

A Prospectus (for information only) containing, among other things, further details of the transaction contemplated under the Placing, will be despatched to the Shareholders as soon as practicable.

## **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 31 October 2007 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 2 November 2007.

## **PLACING AGREEMENT DATED 31 OCTOBER 2007**

### **Placing Agent**

The Placing Agent is Kingston Securities Limited, a company incorporated in Hong Kong with limited liability, which is independent of and not connected with the Company and its subsidiaries and their connected persons (as defined in the Listing Rules). The Placing Agent has conditionally agreed to place the Warrants, as agent of the Company, by way of private placement on a best endeavours basis and will receive a placing commission of 2.0% aggregate Placing Price in respect of such number of Warrants successfully placed by it. The Placing commission was negotiated on an arm's length basis between the Company and the Placing Agent and determined with reference to, among 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 the Placing is in the interests of the Company and the Shareholders as a whole.

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

The Company has agreed to issue, and the Placing Agent has conditionally agreed to place, 1,140,000,000 Warrants conferring rights in registered form to holders thereof to subscribe, up to HK\$157,320,000 in aggregate in cash, for 1,140,000,000 new Shares at an initial subscription price of HK\$0.138 per Share (subject to adjustments under certain circumstances, including consolidation or subdivision of the shares, capitalisation of profits or reserves or capital distribution). Further details of such adjustment events will be set out in the Prospectus to be despatched to the Shareholders.

The 1,140,000,000 new Shares to which the 1,140,000,000 Warrants relate represent approximately 18.77% of the issued share capital of the Company as at the date of this announcement and approximately 15.80% of the issued share capital of the Company as enlarged by the allotment and issue of the 1,140,000,000 new Shares to which the 1,140,000,000 Warrants relate.

As at the date of this announcement, there were an aggregate 930,465,000 outstanding Options entitling the holders thereof to subscribe for up to an aggregate of 930,465,000 Shares, representing approximately 15.32% of the issued share capital of the Company as at the date of this announcement. Save as disclosed above, the Company has no outstanding options, warrants or convertible instruments to subscribe for any Shares.

### **Placees**

The placees shall be individuals, 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 Warrants will be placed to not less than 300 placees.

## **Placing Price**

The Placing Price of HK\$0.022 per Warrant was determined based on arm's length negotiation between the Company and the Placing Agent with reference to the current strong market sentiment, liquidity flow in the capital market and the historical price of the Shares. The Directors consider that the Placing Price is fair and reasonable.

## **Terms of the Warrants**

The Warrants will be issued in registered form subject to and with the benefit of the Instrument to be executed by the Company by way of a deed poll. Each Warrant will give the holder(s) thereof the right to subscribe for a new Share based on an initial subscription price of HK\$0.138 per Share (subject to adjustments). The aggregate of the Placing Price of HK\$0.022 per Warrant and the initial subscription price of HK\$0.138 per Share, i.e. HK\$0.16, represented a premium of approximately 6.67% over the closing price of HK\$0.15 per Share quoted on the Stock Exchange on 30 October 2007, being the last trading day for the Shares before the date of this announcement and a premium of approximately 3.09% over the average of the closing prices of HK\$0.1552 per Share for the last five consecutive trading days for the Shares up to and including 30 October 2007.

The initial subscription price of HK\$0.138 per Share represented: (a) a discount of approximately 8% to the closing price of HK\$0.15 per Share quoted on the Stock Exchange on 30 October 2007 (being the last trading day for the Shares before the date of this announcement; and (b) a discount of approximately 11.08% to the average of the closing prices of HK\$0.1552 per Share for the last five consecutive trading days for the Shares up to and including 30 October 2007.

The subscription rights attaching to the Warrants may be exercised within a two-year period from the Listing Date of the Warrants on the Stock Exchange, which is expected to be from 7 January 2008 to 6 January 2010, both days inclusive (subject to changes). Any subscription rights attaching to the Warrants which have not been exercised on or before the last day of the Subscription Period will lapse and the Warrants will cease to be valid for all purposes following such date. For the purpose of dealings on the Stock Exchange, the board lot of the Warrants will be 100,000 Warrants.

The new Shares falling to be allotted and issued upon exercise of the subscription rights attaching to the Warrants will rank *pari passu* in all respects with the then existing Shares in issue on the date of allotment and issue of such new Shares.

## **Force majeure**

The Placing Agreement contains provisions entitling the Placing Agent or the Company shall, with prior consultation with the other of them, have the right to terminate the Placing Agreement by notice in writing to the other of them at any time prior to 5:30 p.m. on the Completion Date if, in the reasonable opinion of the Placing Agent or the Company:

- (a) there is 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
- (b) there is any breach of the warranties and representations on the part of the Placing Agent or as appropriate, the Company under this Agreement which is material in the context of the Placing.

If the Placing Agreement is so terminated, all obligations of each party under the Placing Agreement shall cease and determine and neither party shall have any claim against the 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 mentioned in the Placing Agreement.

### **Reasons for the Placing and use of proceeds**

The Directors consider that the Placing is a suitable 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 possible investment and/or general working capital which will accordingly strengthen the financial conditions and shareholders base of the Company; and (iii) it provides investors with an alternative means to invest in the Company.

Having considered the fund raising history of the Company in the previous 12 months and other fund raising mechanism, the Directors are of the view that the fund raising by warrants are more appropriate to the Company because the placing of Warrants will lure more potential investors to expand the shareholders' base of the Company by offering investment opportunities to the Company at a minimal entry price or the Placing Price of HK\$0.022 which cannot be provided by other financing alternatives, such as placing of new shares and open offer. It is also expected that additional and immediate funds can be raised from such potential investors by exercising the Warrants in the event that new investment or project is identified of which the Board considers it is beneficial to the Group.

The maximum gross proceeds from the Placing and the exercise of the Warrants will be HK\$25.08 million and HK\$157.32 million respectively. It is intended that the net proceeds of approximately HK\$24 million from the Placing will be mainly used as general working capital of the Company and the net proceeds of approximately HK\$157 million from the exercise of the Warrants will be used for possible investment or project which is expected to improve the profitability, sustain its growth momentum and broaden the revenue stream of the Group, as and when the Board considers appropriate and favourable in the interest of the Company and its Shareholders as whole. As at the date of this announcement, no specific investment or project has been identified by the Group. The net proceeds raised per Warrant upon completion of the Placing will be approximately HK\$0.021 per Warrant.

## **Conditions of the Placing**

Completion of the Placing Agreement is conditional on, among other matters, the fulfillment of the following conditions on or before 31 December 2007 or such later date as the Company and the Placing Agent may agree:

- (i) the registration of one duly signed copy of the Prospectus (with all the documents required by Section 342C of the Companies Ordinance to be attached thereto) by the Registrar of Companies in Hong Kong;
- (ii) the filing of one duly signed copy of the Prospectus (with all other documents required by the Companies Act 1981 of Bermuda (as amended), if any) by the Registrar of Companies in Bermuda;
- (iii) the consent of the Bermuda Monetary Authority to the issue of the Warrants and to the allotment and issue of all Shares to be issued on exercise of the subscription rights attaching to the Warrants; and
- (iv) the granting by 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.

In the event that the above conditions are not fulfilled by on or before 31 December 2007 or such later date as the Company and the Placing Agent may agree, 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 new 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 7 January 2008 (subject to changes).

## **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, assuming no Options would have been exercised after the date of this announcement, are set out below:

Shareholders	As at the date of this announcement		Assuming full exercise of subscription rights attaching to the Warrants	
	Shares	Approximate %	Shares	Approximate %
Mr. Chu Bong Foo <i>an executive Director</i> <i>(Note)</i>	283,052,000	4.66%	283,052,000	3.92%
Mr. Henry Chang Manayan <i>an executive Director</i>	2,000,000	0.03%	2,000,000	0.03%
Mr. Wan Xiaolin, <i>an executive Director</i>	500,000	0.01%	500,000	0.01%
	<u>285,552,000</u>	<u>4.70%</u>	<u>285,552,000</u>	<u>3.96%</u>
Public:				
Public Shareholders	5,787,707,642	95.30%	5,787,707,642	80.24%
Warrant holders	0	0.00%	1,140,000,000	15.80%
Sub-total	<u>5,787,707,642</u>	<u>95.30%</u>	<u>6,927,707,642</u>	<u>96.04%</u>
Total	<u>6,073,259,642</u>	<u>100.00%</u>	<u>7,213,259,642</u>	<u>100.00%</u>

*Note: 283,052,000 Shares comprise of (i) 160,180,000 Shares beneficially owned by Mr. Chu Bong Foo in his personal capacity and (ii) 122,872,000 Shares held by Bay-Club Enterprises Inc., a company which is wholly and beneficially owned by Mr. Chu Bong Foo.*

## GENERAL

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

At the annual general meeting of the Company held on 21 September 2007 (the "AGM"), the Directors were granted by the Shareholders a general mandate to allot, issue and deal with the Shares falling 20% of the issued share capital of the Company as the date of the AGM. By a resolution of Directors passed on 31 October 2007, the Directors have resolved to issue warrants in registered form conferring rights upon the holders thereof, exercisable in whole or in part at any time during the period from 7 January 2008 to 6 January 2010 (both days inclusive), to subscribe in aggregate up to HK\$157,320,000 for new Shares in the share capital of the Company.

A Prospectus (for information only) containing, among other things, further details of the transaction contemplated under the Placing, will be despatched to the Shareholders as soon as practicable.

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

<b>Date of announcement</b>	<b>Event</b>	<b>Net proceeds (approximately)</b>	<b>Intended use of proceeds as announced</b>	<b>Actual use of proceeds</b>
24 April 2007	The Company exercised the option to call for subscription of the tranche 2 convertible bonds of the Company	HK\$35.5 million	To be used for general working capital of the Group	Not yet utilized
14 June 2007	Placing of 800,000,000 new Shares at a price of HK\$0.22 per Share	HK\$172 million	For funding of the investment in energy related business	Not yet utilized

**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.**

### **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 31 October 2007 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 2 November 2007.

### **DEFINITIONS**

“Board”	the board of Directors
“Company”	Culturecom Holdings Limited, a company incorporated in Bermuda with limited liability whose securities are listed on the Stock Exchange
“Companies Ordinance”	The Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Completion Date”	the date when the Placing is completed, which is expected to be not later than four business days following the fulfillment of conditions of the Placing

“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	The 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 Date”	the date on which the listing of and dealings in the Warrants commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Options”	outstanding options granted to the grantees under the share option schemes adopted by the Company on 15 June 1993 and 21 August 2002
“Placing”	the placing, on a best endeavours basis, of up to 1,140,000,000 Warrants pursuant to the Placing Agreement
“Placing Agent”	Kingston Securities Limited, a licensed corporation to carry out business in type 1 regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	the conditional placing agreement dated 31 October 2007 entered into between the Company and the Placing Agent in relation to the Placing
“Placing Price”	HK\$0.022, being the issue price per Warrant payable in full on application under the Placing Agreement
“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 Listing Day which is expected to be from 7 January 2008 to 6 January 2010, both days inclusive (subject to changes)
“Warrant(s)”	warrant(s) of the Company in the registered form, each conferring rights to holder(s) thereof to subscribe for one Share at an initial subscription price of HK\$0.138 (subject to adjustments under certain circumstances, including 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, 1 November 2007

*As at the date of announcement, the Board comprises Mr. Cheung Wai Tung, Mr. Chu Bong Foo, Mr. Henry Chang Manayan, Mr. Wan Xiaolin, Mr. Tai Cheong Sao (all being executive Directors); and Mr. Lai Man To, Mr. Wang Tiao Chun, Mr. Joseph Lee Chennault and Mr. Chung Billy (all being independent non-executive Directors).*

*\* for identification purpose only*