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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)

### TERMINATION OF THE PURCHASE OF ASSETS AND LICENCE OF TECHNOLOGY

In early February 2006, the Board was advised that the necessary U.S. technology export control approvals could not be obtained for the Asset Purchase Agreement and the Licence Agreement within the time frame necessary to satisfy Culture.com Technology's commercial requirements.

Although the Board and Transmeta are desirous of the transactions to be completed, the Board has agreed with Transmeta to mutually terminate the conditional Asset Purchase Agreement and the Licence Agreement and a Mutual Termination Agreement was entered into on 7 February 2006 (U.S. time). None of the obligations of the Parties shall survive after Termination.

The Refund will be used by the Group as to about HK\$89 million to discharge the outstanding balance of about HK\$89 million of the short term financing for the Asset Purchase Agreement and the Licence Agreement and the remaining balance of approximately HK\$26 million as general working capital of the Group.

The Company and Transmeta will continue to look for alternative means for cooperation when new opportunities arise. At present, no new investments have been finalised. Further announcement will be made by the Company as and when appropriate and in compliance with the Listing Rules.

Reference is made to the announcement (the "**Announcement**") of the Company dated 7 June 2005 and the circular (the "**Circular**") to the shareholders of the Company dated 30 September 2005 in relation to the conditional acquisition of certain assets and technology and the conditional licence of certain technology by Transmeta to Culture.com Technology. Unless otherwise defined herein, capitalised terms used herein shall have the meanings as ascribed to them in the Circular.

#### BACKGROUND

Pursuant to the Asset Purchase Agreement, Completion will take place on the third business day after the day on which, among other things, Transmeta shall have obtained all U.S. export licences and other approvals required to consummate the transactions contemplated under the Asset Purchase Agreement.

In early February 2006, the Board was advised that the necessary U.S. technology export control approvals could not be obtained for the Asset Purchase Agreement and the Licence Agreement (collectively the "**Agreements**") within the time frame necessary to satisfy Culture.com Technology's commercial requirements.

Neither the Company nor Transmeta had previously envisaged that the approval applications would involve such a substantial amount of manpower, resources and documentation due to the fact that the subject matter under the Asset Purchase Agreement and the Licence Agreement merely consist of the Crusoe and 130nm Efficeon Microprocessor. However, the same were considered to be very advanced and controlled technology from an export control perspective in the U.S..

Although the Board and Transmeta are desirous of the transactions to be completed, the Board has agreed with Transmeta to mutually terminate the conditional Asset Purchase Agreement and the Licence Agreement and a mutual termination agreement (the "**Mutual Termination Agreement**") was entered into on 7 February 2006 (U.S. time).

The Company and Transmeta have had a historical business relationship dating from 2003, when Chinese 2 Linux (Holdings) Limited, an associated company of the Company licensed Transmeta's Midori Linux software for the development of embedded applications. The Company and Transmeta will continue to look for alternative means for cooperation when new opportunities arise. At present, no new investments have been finalised. Further announcement will be made by the Company as and when appropriate and in compliance with the Listing Rules.

#### THE MUTUAL TERMINATION AGREEMENT

Date : 7 February 2006 (U.S. time)

Parties : (1) Transmeta  
(2) Culture.com Technology  
(3) the Company

#### Operative terms

Pursuant to the Mutual Termination Agreement, Transmeta, Culture.com Technology and the Company (collectively the "**Parties**") mutually agreed to terminate (the "**Termination**") each of the Asset Purchase Agreement and the Licence Agreement and the transactions contemplated thereunder with effect from the date of the signing of the Mutual Termination Agreement. None of the obligations of the Parties shall survive after Termination.

The aggregate consideration of US\$15 million (equivalent to approximately HK\$117 million) under the Asset Purchase Agreement and the Licence Agreement had been paid to an escrow agent. Upon Termination, the escrow agent shall return to the Company as soon as practicable the sum of about US\$14.8 million (equivalent to approximately HK\$115.5 million) (the “**Refund**”), being the net amount of the aggregate consideration plus all interests accrued minus the transaction costs for the application for all export licences and approvals and matters in relation thereto.

The Refund will partly be used by the Group to discharge the outstanding balance of about HK\$89 million of the short term financing for the Asset Purchase Agreement and the Licence Agreement. About HK\$19 million will be used to settle the remaining balance of the short term financing from Mr. Cheung Wai Tung, Chairman and executive Director and about HK\$70,000,000 to settle the secured loan from Overseas Associates Limited. The remaining balance of approximately HK\$26 million will be used as general working capital of the Group. The Board currently has no specific investment plan for such HK\$26 million.

The Board considers that the terms of the Mutual Termination Agreement were entered into upon normal commercial terms following arm’s length negotiations among the Parties and that the terms of the Mutual Termination Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The Board estimates that approximately HK\$2.4 million would have been incurred by the Group in relation to the whole transaction. Further details will be published in the Group’s next financial report. Notwithstanding the above, the Board considers that upon Termination, there will be no material adverse impact to the business operation and financial position of the Group.

**GENERAL**

As of the date of this announcement, 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).

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

Hong Kong, 10 February 2006

\* *for identification purpose only*

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