
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in Culturecom Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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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)

(Warrant Code: 2306)

**PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL
AND
PROPOSED AMENDMENTS TO THE BYE-LAWS OF THE COMPANY
AND
PROPOSED GRANTING OF GENERAL MANDATES TO REPURCHASE
SECURITIES AND TO ISSUE
NEW SHARES OF THE COMPANY
AND
PROPOSED REFRESHMENT OF THE LIMIT OF
THE EXISTING SHARE OPTION SCHEME
AND
RE-ELECTION OF RETIRING DIRECTORS**

A notice convening an annual general meeting of Culturecom Holdings Limited to be held at The Penthouse, Culturecom Centre, 47 Hung To Road, Kwun Tong, Kowloon, Hong Kong on Tuesday, 24th August, 2004 at 10:30 a.m. is set out on pages 16 to 23 of this circular. A form of proxy for use at the annual general meeting is also enclosed. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk).

Whether or not you are able to attend the annual general meeting, please complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it to principal place of business of the Company at The Penthouse, Culturecom Centre, 47 Hung To Road, Kwun Tong, Kowloon, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the annual general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting if they so wish.

* *for identification purpose only*

30th July, 2004

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RESPONSIBILITY STATEMENT

This document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors of the Company collectively and individually accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

DEFINITIONS

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

“Annual General Meeting”	an annual general meeting of the Company to be held at The Penthouse, Culturecom Centre, 47 Hung To Road, Kwun Tong, Kowloon, Hong Kong on Tuesday, 24th August, 2004 at 10:30 a.m. to consider and, if appropriate, to approve the resolutions contained in the notice of the meeting which is set out on pages 16 to 23 of this circular, or any adjournment thereof;
“Board”	the board of Directors;
“Buyback Mandate”	as defined in paragraph 4(a) of the Letter from the Board;
“Company”	Culturecom Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the securities of which are listed on the main board of the Stock Exchange;
“Current Bye-laws”	the current bye-laws adopted by the Company on 15th June, 1993 and including subsequent amendments;
“Director(s)”	the director(s) of the Company;
“Existing Scheme Mandate Limit”	10% of the issued share capital of the Company as at the date of adoption of the Existing Share Option Scheme which may be issued upon exercise of all options granted/to be granted under the Existing Share Option Scheme and any other share option schemes of the Company;
“Existing Share Option Scheme”	the existing share option scheme of the Company adopted by the Company’s shareholders at the annual general meeting of the Company held on 21st August, 2002;
“Group”	The Company and its subsidiaries from time to time;
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Issuance Mandate”	as defined in paragraph 4(b) of the Letter from the Board;
“Latest Practicable Date”	22nd July, 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

DEFINITIONS

“Options”	a right granted to subscribe for Shares pursuant under Previous Share Option Scheme or the Existing Share Option Scheme or any other share option scheme of the Company;
“Participants”	any employees or directors of the Company, any of its subsidiaries or any invested entity in which the Group holds any equity interest (including executive directors, non-executive directors and independent non-executive directors of the Company, any of its subsidiaries or any invested entity) and suppliers, customers, consultants and shareholders of the Group or any invested entity in which the Group holds any equity interest;
“Previous Share Option Scheme”	the previous share option scheme of the Company adopted on 15th June, 1993 and terminated on 21st August, 2002;
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong;
“Shares”	ordinary share(s) of HK\$0.10 each in the capital of the Company or if there has been a subsequent sub-division, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company;
“Shareholder(s)”	holder(s) of Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Takeovers Code”	The Hong Kong Codes on Takeovers and Mergers issued by the Securities and Futures Commission in Hong Kong;
“Warrants”	warrants issued by the Company conferring rights to the holder(s) thereof to subscribe in cash for Shares at an initial subscription price of HK\$0.165 per Share, subject to adjustment, at any time up to and including 7th July, 2005.

LETTER FROM THE BOARD



CULTURECOM HOLDINGS LIMITED

文化傳信集團有限公司*

(Incorporated in Bermuda with limited liability)

Executive Directors:

Mr. Cheung Wai Tung (*Chairman*)
Mr. Chu Bong Foo (*Vice-Chairman*)
Mr. Cheung Kam Shing, Terry (*Managing Director*)
Mr. Henry Chang Manayan
Mr. Wan Xiaolin

Independent Non-Executive Directors:

Mr. Lai Man To
Mr. Wang Tiao Chun
Ms. Juliet Wu

Registered Office:

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Principal Office:

Culturecom Centre
47 Hung To Road
Kwun Tong
Kowloon
Hong Kong

30th July, 2004

*To the shareholders and, for information only,
warrantholders of the Company*

Dear Sir/Madam,

**PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL
AND
PROPOSED AMENDMENTS TO THE BYE-LAWS OF THE COMPANY
AND
PROPOSED GRANTING OF GENERAL MANDATES TO REPURCHASE
SECURITIES AND TO ISSUE
NEW SHARES OF THE COMPANY
AND
PROPOSED REFRESHMENT OF THE LIMIT OF
THE EXISTING SHARE OPTION SCHEME
AND
RE-ELECTION OF RETIRING DIRECTORS**

1. INTRODUCTION

The purpose of this circular is to provide the Shareholders with information in respect of the resolutions to be proposed at the Annual General Meeting for (i) the increase of authorised share capital; (ii) the amendments to the Current Bye-laws; (iii) the granting of the Buyback Mandate to the Directors;

* for identification purpose only.

LETTER FROM THE BOARD

(iv) the granting of the Issuance Mandate to the Directors; (v) the extension of the Issuance Mandate by adding to it the aggregate number of the issued Shares repurchased by the Company under the Buyback Mandate; (vi) the refreshment of the Existing Scheme Mandate Limit and (vii) the re-election of retiring Directors.

2. INCREASE IN AUTHORISED SHARE CAPITAL

In order to have a sufficient authorised and unissued share capital available for the issue of Shares in future, an ordinary resolution as resolution no. 6 in the notice convening the Annual General Meeting will be proposed at the Annual General Meeting to approve an increase in the authorised share capital of the Company from HK\$400,000,000 divided into 4,000,000,000 Shares to HK\$600,000,000 divided into 6,000,000,000 Shares by the creation of an additional 2,000,000,000 shares of HK\$0.10 each. The proposed increase in the authorised share capital of the Company is to meet the requirements on the exercise of the general mandate in the future. As at the Latest Practicable Date, 3,334,849,642 Shares were in issue.

3. AMENDMENTS TO THE CURRENT BYE-LAWS

The Stock Exchange has announced amendments to the Listing Rules which include, among other things, amendments to Appendix 3 of the Listing Rules that came into effect on 31st March, 2004. Such amendments to Appendix 3 of the Listing Rules require a listed issuer's articles of association/bye-laws to conform with certain provisions. The Directors therefore propose to amend the Current Bye-laws to ensure compliance with the amended provisions of the Listing Rules in the following aspects:

- (i) Bye-law 85 of the Current Bye-laws shall be amended to the effect that where the Company has knowledge that any Shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such Shareholder in contravention of such requirement or restriction shall not be counted;
- (ii) Bye-laws 109(B)(ii) and (iii) of the Current Bye-laws shall be amended to the effect that a Director shall not vote on any board resolution approving any contract or arrangement or any other proposal in which he or any of his associates (as defined in the Listing Rules) has a material interest nor shall he be counted in the quorum present at such board meeting (subject to certain exceptions acceptable to the Stock Exchange); and
- (iii) Bye-law 115 of the Current Bye-laws shall be amended to the effect that the minimum length of the period during which the notice to the Company of the intention to propose a person for election as a Director and during which the notice to the Company by such person of his willingness to be elected are given shall be at least 7 days and that the period for lodgement of the aforesaid notices shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting.

With the repeal of the Securities and Futures (Clearing Houses) Ordinance and the enactment of the SFO on 1st April, 2003, it is also proposed that the definition of "Clearing House" under Bye-law 1 of the Current Bye-laws shall be amended such that its reference to the Securities and Futures (Clearing Houses) Ordinance shall be deleted.

LETTER FROM THE BOARD

Moreover, Bye-laws 3 and 66(A)(v) shall also be amended in order to comply with the Listing Rules.

To comply with the Listing Rules, an announcement of the Company on the above proposed amendments to the Current Bye-laws has been published in the newspapers. The proposed amendments to the Current Bye-laws are stated in the proposed special resolution no. 7 in the notice convening the Annual General Meeting as set out on pages 16 to 23 of this circular. A copy of the Current Bye-laws will be available for inspection at the Company's principal place of business in Hong Kong at The Penthouse, Culturecom Centre, 47 Hung To Road, Kwun Tong, Kowloon, Hong Kong during normal business hours from the date hereof up to and including the date of the Annual General Meeting.

4. BUYBACK AND ISSUANCE MANDATES

At the annual general meeting of the Company held on 23rd August, 2003, general mandates were given to the Directors to exercise the powers of the Company to repurchase shares and warrants and to issue new shares of the Company respectively. Such mandates will lapse at the conclusion of the Annual General Meeting.

Ordinary resolutions will be proposed at the Annual General Meeting to approve the granting of new general mandates to the Directors:

- (a) to purchase Shares on the Stock Exchange of an aggregate nominal amount of up to 10% of the aggregate nominal amount of the issued share capital of the Company on the date of passing of such resolution and to purchase Warrants on the Stock Exchange up to a maximum of 10% of the Warrants outstanding on the date of passing of such resolution (the "Buyback Mandate");
- (b) to allot, issue or deal with Shares of an aggregate nominal amount of up to 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of passing of such resolution (the "Issuance Mandate"); and
- (c) to extend the Issuance Mandate by an amount representing the aggregate nominal amount of the Shares repurchased by the Company pursuant to and in accordance with the Buyback Mandate.

The Buyback Mandate and the Issuance Mandate will continue in force until the conclusion of the next annual general meeting of the Company held after the Annual General Meeting or any earlier date as referred to in ordinary resolutions nos. 8 and 9 set out in the notice of the Annual General Meeting. With reference to the Buyback Mandate and the Issuance Mandate, the Directors wish to state that they have no immediate plan to repurchase any Shares or Warrants or issue any Shares pursuant thereto.

In accordance with the requirements of the Listing Rules, the Company is required to send to the Shareholders an explanatory statement containing all the information reasonably necessary to enable them to make an informed decision on whether to vote for or against the granting of the Buyback Mandate. The explanatory statement as required by the Listing Rules in connection with the Buyback Mandate is set out in the Appendix I to this circular.

LETTER FROM THE BOARD

5. REFRESHMENT OF THE EXISTING SCHEME MANDATE LIMIT

The Company adopted the Existing Share Option Scheme and terminated the Previous Share Option Scheme at its annual general meeting held on 21st August, 2002. Upon termination of the Previous Share Option Scheme, no further Options can be granted thereunder but in all other respects, the provisions of the Previous Share Option Scheme shall remain in force and any Options granted prior to such termination shall continue to be valid and exercisable in accordance therewith.

Pursuant to the terms of the Existing Share Option Scheme, among other things:

- (a) the Shares which may be issued upon exercise of all Options granted/to be granted under the Existing Share Option Scheme and any other share option schemes of the Company shall not exceed 10% (i.e. equivalent to 301,399,964 Shares) of the Shares in issue as at the date of adoption of the Existing Share Option Scheme on 21st August, 2002 (i.e. the “Existing Scheme Mandate Limit”) (excluding, for this purpose, options which have lapsed in accordance with the terms of the Existing Share Option Scheme or any other share option schemes of the Company);
- (b) The Existing Scheme Mandate Limit may be refreshed by obtaining approval of the Shareholders in general meeting provided that the new limit under the refreshed Existing Scheme Mandate Limit must not exceed 10% of the Shares in issue at the date of the Shareholders’ approval of such refreshed Scheme Mandate Limit. Options previously granted under the Existing Share Option Scheme or any other share option schemes of the Company (including those exercised, outstanding, cancelled or lapsed in accordance with the terms of the Existing Share Option Scheme or any other share option schemes of the Company) will not be counted for the purpose of calculating the total number of Shares subject to the refreshed Scheme Mandate Limit; and
- (c) the overall limit on number of Shares which may issued upon exercise of all outstanding Options granted and yet to be exercised under the Existing Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the Shares in issue from time to time (the “Overall Limit”);

As at the Latest Practicable Date, the Company had granted to certain grantees Options to subscribe for an aggregate of 535,000,000 Shares under the Previous Share Option Scheme and the Existing Share Option Scheme, out of which:

	Under Previous Share Option Scheme	Under Existing Share Option Scheme	Total
Options granted to subscribe for Shares	235,000,000	300,000,000	535,000,000
Options exercised to subscribe for Shares	174,000,000	204,100,000	378,100,000
Options lapsed to subscribe for Shares	13,900,000	Nil	13,900,000
Options cancelled to subscribe for Shares	Nil	Nil	Nil
Options remaining outstanding to subscribe for Shares	47,100,000	95,900,000	143,000,000

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Set out below are the particulars of the Options granted to Directors and a substantial Shareholder (as defined in the Listing Rules) of the Company under the Previous Share Option Scheme and the Existing Share Option Scheme as at the Latest Practicable Date:

Previous Share Option Scheme

Name	Number of Options granted to subscribe for Shares	Number of Options remaining outstanding to subscribe for Shares
Mr. Cheung Wai Tung, <i>Executive Director</i>	14,565,000	4,565,000
Mr. Chu Bong Foo, <i>Executive Director & a substantial Shareholder</i>	12,000,000	12,000,000
Mr. Cheung Kam Shing, Terry, <i>Executive Director</i>	3,000,000	3,000,000
Mr. Henry Chang Manayan, <i>Executive Director</i>	3,500,000	1,500,000
Mr. Wan Xiaolin, <i>Executive Director</i>	1,000,000	1,000,000

Existing Share Option Scheme

Name	Number of Options granted to subscribe for Shares	Number of Options remaining outstanding to subscribe for Shares
Mr. Cheung Wai Tung, <i>Executive Director</i>	4,000,000	4,000,000
Mr. Cheung Kam Shing, Terry, <i>Executive Director</i>	3,000,000	3,000,000
Mr. Henry Chang Manayan, <i>Executive Director</i>	1,000,000	1,000,000
Mr. Wan Xiaolin, <i>Executive Director</i>	3,000,000	3,000,000

All requirements, where applicable, relating to granting Options to the above-mentioned Directors under Rule 17.04 of the Listing Rules were duly complied with. Save as mentioned above, none of the Options under the previous Share Option Scheme and the Existing Share Option Scheme has been granted to any connected person (as defined in the Listing Rules) of the Company.

Unless the Existing Scheme Mandate Limit is refreshed, only up to 1,399,964 Shares representing approximately 0.046% and 0.042% of the issued share capital of the Company as at the date of adoption of the Existing Share Option Scheme and as at the Latest Practicable Date respectively may be issued pursuant to the grant of further Options under the Existing Share Option Scheme.

LETTER FROM THE BOARD

In this connection, the Directors consider that the Company should refresh the Existing Scheme Mandate Limit so that the Company could have more flexibility to provide incentives to those Participants of the Existing Share Option Scheme to contribute to the success of the Group by way of granting Options to them. If the refreshment of the Existing Scheme Mandate Limit is approved at the Annual General Meeting on the basis of 3,334,849,642 Shares in issue as at the Latest Practicable Date and assuming that no further Shares are issued or repurchased after the Latest Practicable Date and up to the date of the Annual General Meeting, the Existing Scheme Limit will be refreshed to 333,484,964 Shares, representing 10% of the issued share capital of the Company as at the date of the Annual General Meeting and the Company will be allowed, apart from the Options to subscribe for 143,000,000 Shares which have already been granted and are still outstanding, to grant further Options under the Existing Share Option Scheme carrying the rights to subscribe for a maximum of 333,484,964. On the basis of 3,334,849,642 Shares in issue as at the Latest Practicable Date, the 30% Overall Limit represents a total of 1,000,454,892 Shares. Accordingly, the aggregate sum of (i) maximum number of Shares to be issued under the Options arising from the refreshed Existing Scheme Mandate and (ii) outstanding Options under the Previous Share Option Scheme and the Existing Share Option Scheme to subscribe for Shares does not exceed the 30% Overall Limit as at the Latest Practicable Date.

The refreshment of the Existing Scheme Mandate Limit is conditional upon:

- (i) the passing of the ordinary resolution at the Annual General Meeting; and
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in any new Shares which may fall to be allotted and issued upon the exercise of the subscription rights attaching to the options that may be granted under the refreshed limit of the Existing Share Option Scheme up to 10% of the issued share capital of the Company as at the date of passing of the relevant ordinary resolution at the Annual General Meeting.

Application will be made to the Stock Exchange for granting the listing of and permission to deal in the Shares to be issued pursuant to the refreshment of the Existing Scheme Mandate Limit.

6. RE-ELECTION OF RETIRING DIRECTORS

According to Bye-laws 110(A) and 190(v) of the Current Bye-laws, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office by rotation but shall be eligible for re-election at each annual general meeting of the Company provided that no Director holding office as the chairman or as a managing director shall be subject to retirement by rotation nor be taken into account in determining the number of Directors to retire. Accordingly, Mr. Chu Bong Foo and Mr. Henry Chang Manayan shall retire from office by rotation at the Annual General Meeting, and being eligible, offer themselves for re-election. Details of Mr. Chu Bong Foo and Mr. Henry Chang Manayan which are required to be disclosed by the Listing Rules are set out in the Appendix III to this circular.

LETTER FROM THE BOARD

7. ANNUAL GENERAL MEETING AND PROXY ARRANGEMENT

The notice of the Annual General Meeting is set out on pages 16 to 23 of this circular. At the Annual General Meeting, resolutions will be proposed to approve, inter alia, the increase in authorised share capital, the amendments to the Current Bye-laws, the granting of the Buyback Mandate and the Issuance Mandate, the extension of the Issuance Mandate by the addition thereto of the number of Shares repurchased pursuant to the Buyback Mandate and the refreshment of the Existing Scheme Mandate Limit.

A form of proxy for use at the Annual General Meeting is enclosed with this circular and such form of proxy is also published on the website of the Stock Exchange (www.hkex.com.hk). To be valid, the form of proxy must be completed and signed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority at principal place of business of the Company, at The Penthouse, Culturecom Centre, 47 Hung To Road, Kwun Tong, Kowloon, Hong Kong, not less than 48 hours before the time appointed for holding the Annual General Meeting or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting at the Annual General Meeting if you so wish.

8. RECOMMENDATION

The Directors consider that the increase in authorised share capital, the amendments to the Current Bye-laws, the granting of the Buyback Mandate, the granting/extension of the Issuance Mandate, the refreshment of the Existing Scheme Mandate Limit and the re-election of retiring Directors are in the interests of the Company, the Group and the Shareholders. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the Annual General Meeting.

9. GENERAL INFORMATION

Your attention is drawn to the additional information set out in the Appendix I (Explanatory Statement on the Buyback Mandate), Appendix II (Procedure by which the Shareholders may demand a poll at a general meeting pursuant to the Current Bye-laws) and Appendix III (Details of the Directors proposed to be re-elected at the Annual General Meeting) to this circular.

Yours faithfully,
For and on behalf of
CULTURECOM HOLDINGS LIMITED
Cheung Wai Tung
Chairman

The following is an explanatory statement required by the Listing Rules to be sent to the Shareholders to enable them to make an informed decision on whether to vote for or against the ordinary resolution to be proposed at the Annual General Meeting in relation to the granting of the Buyback Mandate.

1. REASONS FOR BUYBACK OF SECURITIES

The Directors believe that the granting of the Buyback Mandate is in the interests of the Company and the Shareholders.

Repurchases of securities of the Company may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/ or earnings per Share. The Directors are seeking the granting of the Buyback Mandate to give the Company the flexibility to do so if and when appropriate. The number of Shares and/or Warrants to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time, having regard to the circumstances then pertaining.

2. SHARES AND WARRANTS

As at the Latest Practicable Date, the issued share capital of the Company comprised 3,334,849,642 Shares and the Warrants outstanding at such date carried with them a total subscription rights of HK\$51,851,250 which was equivalent to the aggregate subscription price for a total of 314,250,000 Shares on the basis of the subscription price being HK\$0.165 per Share.

Subject to the passing of the ordinary resolution no. 8 set out in the notice of the Annual General Meeting in respect of the granting of the Buyback Mandate and on the basis that no Shares or Warrants are issued or repurchased by the Company prior to the date of the Annual General Meeting, the Directors would be authorised under the Buyback Mandate to repurchase a maximum of 333,484,964 Shares (representing 10% of the Shares in issue as at the Latest Practicable Date) and Warrants carrying with them total subscription rights of up to HK\$5,185,125 (representing 10% of the aggregate subscription rights attaching to the Warrants outstanding as at the Latest Practicable Date) during the period in which the Buyback Mandate remains in force.

3. FUNDING OF REPURCHASES

In repurchasing Shares and Warrants, the Company may only apply funds legally available for such purpose in accordance with its memorandum of association, the Current Bye-laws, the laws of Bermuda, the relevant instrument creating the Warrants and/or any other applicable laws.

The Company is empowered by its memorandum of association, the Current Bye-laws and the relevant instrument creating the Warrants to repurchase Shares and Warrants. The laws of Bermuda provide that the amount of capital paid in connection with a share repurchase by a company may only be paid out of either the capital paid up on the relevant shares, or the funds of the company which would otherwise be available for dividend or distribution or the proceeds of a fresh issue of shares made for such purpose. The amount of premium payable on repurchase may only be paid out of funds of the company which would otherwise be available for dividend or distribution or out of the share premium account of the company before the shares are repurchased.

4. IMPACT OF REPURCHASES

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited accounts contained in the annual report of the Company for the year ended 31st March, 2004) in the event that the Buyback Mandate was to be carried out in full at any time during the proposed repurchase period. However, the Directors do not intend to exercise the Buyback Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

5. TAKEOVERS CODE

If, on the exercise of the power to repurchase Shares pursuant to the Buyback Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder, or group of Shareholders acting in concert, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code for all the Shares not already owned by such Shareholder or group of Shareholders.

As at the Latest Practicable Date, Mr. Chu Bong Foo was interested in 343,052,000 Shares, representing approximately 10.29% of the Shares issued by the Company. In the event that the Directors exercise in full the power to repurchase Shares of the Company in accordance with the Buyback Mandate, the shareholding of Mr. Chu Bong Foo in the Company will be increased to approximately 11.43% of the issued share capital of the Company. In the opinion of the Directors, such increase will not give rise to an obligation to make a mandatory offer under Rule 26 of the Takeover Code.

6. GENERAL

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their respective associates (as defined in the Listing Rules) have any present intention to sell any Shares or Warrants to the Company in the event that the granting of the Buyback Mandate is approved by the Shareholders.

The Company has not been notified by any connected persons (as defined in the Listing Rules) of the Company that they have a present intention to sell any Shares or Warrants to the Company, or that they have undertaken not to sell any Shares or Warrants held by them to the Company in the event that the granting of the Buyback Mandate is approved by the Shareholders.

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to make repurchases of Shares and Warrants pursuant to the Buyback Mandate in accordance with the Listing Rules and the laws of Bermuda.

APPENDIX I **EXPLANATORY STATEMENT ON THE BUYBACK MANDATE**

7. MARKET PRICES OF SHARES AND WARRANTS

The highest and lowest prices per Share and Warrant at which the Shares and the Warrants have traded on the Stock Exchange during each of the previous 12 months and up to the Latest Practicable Date were as follows:

Month	Shares		Warrants	
	Highest	Lowest	Highest	Lowest
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
2003				
July	0.325	0.237	0.138	0.098
August	0.320	0.246	0.146	0.095
September	0.345	0.285	0.183	0.134
October	0.320	0.280	0.164	0.133
November	0.310	0.255	0.163	0.120
December	0.285	0.255	0.145	0.122
2004				
January	0.325	0.255	0.172	0.125
February	0.640	0.290	0.445	0.142
March	0.720	0.445	0.560	0.250
April	0.630	0.390	0.460	0.240
May	0.480	0.365	0.335	0.230
June	0.470	0.385	0.330	0.240
July (up to the Latest Practicable Date)	0.590	0.440	0.450	0.275

8. REPURCHASES OF SHARES AND WARRANTS MADE BY THE COMPANY

No repurchase of Shares or Warrants has been made by the Company during the previous six months (whether on the Stock Exchange or otherwise).

The following paragraphs set out the procedure by which the Shareholders may demand a poll at a general meeting of the Company (including the Annual General Meeting) pursuant to the Current Bye-laws.

According to Bye-law 78 of the Current Bye-laws, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded by:

- (a) the chairman of the meeting; or
- (b) at least three Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (c) a Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (d) a Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.

Pursuant to the Listing Rules, the details of the Directors who will retire at the Annual General Meeting according to the Current Bye-laws and will be proposed to be re-elected at the Annual General Meeting are provided below.

Mr. Chu Bong Foo, aged 66, Vice-Chairman and an executive Director

Experience and Length of service

Mr. Chu Bong Foo was appointed as Vice-Chairman and executive Director of the Company in May 1999 and is responsible for the design and development of Chinese information infrastructure of the Group. Mr. Chu is the inventor of Changjie Index System and has been engaging in the development of Chinese character generating technology over 20 years.

Relationships

Other than the relationship arising from his being an executive Director and a substantial shareholder, Mr. Chu Bong Foo does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company.

Interests in securities

As at the Latest Practicable Date, Mr. Chu Bong Foo was interested in 343,052,000 Shares and 12,000,000 Options within the meaning of Part XV of the SFO.

Director's emoluments

Mr. Chu Bong Foo has entered into a service contract with the Company on 26th May, 1999 for a term of five years and would continue automatically for successive term of one year thereafter. The amount of annual director's emolument specified in the service contract between Mr. Chu and the Company is HK\$1,200,000 and is determined by reference to his duties and responsibilities with the Company.

Matters that need to be brought to the attention of the Shareholders and the holders of Warrants

There are no other matters that need to be brought to the attention of the Shareholders and the holders of Warrants.

Mr. Henry Chang Manayan, aged 48, an executive Director

Experience and Length of service

Mr. Henry Chang Manayan was appointed as executive Director of the Company in September 1999. He was the Mayor of Milpitas, California, the USA and is the first Mayor of Asian ancestry ever elected in the City of Milpitas. He is also an attorney and business owner of a management consultancy firm. He was educated at Syracuse University, Oxford University (Great Britain), Yale-in-China College,

Golden Gate University Graduate College of Banking and Finance and the University of Santa Clara School of Law, where he received his Juris Doctor. Mr. Manayan is the president and general counsel of Transpacific Capital Corporation, a finance and investment company. He also served as a board director, officer and legal counsel to several companies and organisation.

Relationships

Other than the relationship arising from his being an executive Director, Mr. Henry Chang Manayan does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company.

Interests in securities

As at the Latest Practicable Date, Mr. Henry Chang Manayan was interested in 2,000,000 Shares and 2,500,000 Options within the meaning of Part XV of the SFO.

Director's emoluments

There is no service contract between the Company and Mr. Henry Chang Manayan. Mr. Manayan is entitled to annual emolument of HK\$240,000 and is determined by reference to his duties and responsibilities with the Company.

Matters that need to be brought to the attention of the Shareholders and the holders of Warrants

There are no other matters that need to be brought to the attention of the Shareholders and the holders of Warrants.

NOTICE OF THE ANNUAL GENERAL MEETING



CULTURECOM HOLDINGS LIMITED

文化傳信集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 343)

(Warrant Code: 2306)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Culturecom Holdings Limited (the “Company”) will be held at The Penthouse, Culturecom Centre, 47 Hung To Road, Kwun Tong, Kowloon, Hong Kong on Tuesday, 24th August, 2004 at 10:30 a.m. for the following purposes:

1. To receive and consider the Audited Financial Statements and the Reports of the Directors and the Auditors for the year ended 31st March, 2004.
2. To confirm, ratify and approve the payment of Directors’ fee to Directors for the year ended 31st March, 2004.
3. To re-elect the retiring Directors.
4. To fix the maximum number of Directors at twenty for the time being, to authorise the Board of Directors to appoint additional Directors up to such maximum number and to authorise the Board of Directors to fix their remuneration.
5. To re-appoint Deloitte Touche Tohmatsu as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.
6. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

“**THAT** the authorised share capital of the Company be increased from HK\$400,000,000 to HK\$600,000,000 by the creation of an additional 2,000,000,000 Shares of HK\$0.10 each.”.

* for identification purposes only

NOTICE OF THE ANNUAL GENERAL MEETING

7. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as a Special Resolution:

“**THAT** the bye-laws (the “Bye-laws”) of the Company be and are hereby amended in the following manner:

(a) Bye-law 1

- (i) By inserting the definition of “associate” immediately after the definition of “Clearing House” as follows:

“associate” shall have the meaning attributed to it in the rules for the time being governing the listing of securities of The Stock Exchange of Hong Kong Limited.

- (ii) By deleting the words “a recognised clearing house within the meaning of Section 2 of the Securities and Futures (Clearing Houses) Ordinance (Chapter 420 of the Laws of Hong Kong), or” in the definition of “Clearing House”;

(b) Bye-law 3

- (i) By re-numbering the existing Bye-laws 3.(A), (B) and (C) as new Bye-laws 3.(B), (C) and (D) respectively and inserting the following new Bye-law 3.(A) prior to the new Bye-law 3.(B):

“3.(A) The authorised share capital of the Company at the date of the holding of its annual general meeting in the year 2004 is HK\$600,000,000 divided into 6,000,000,000 shares of HK\$0.10 each.”;

- (ii) By inserting the words “and where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender shall be limited to a maximum price as may from time to time be determined by the Company in general meeting, either generally or with regard to specific purchases. If purchases are by tender, tenders shall be available to all members alike.” immediately after the last word of the new Bye-law 3.(B);

(c) Bye-law 38

By deleting the word “only” at the end of Bye-law 38 and substituting therefor the words “or by means of mechanically imprinted signatures”;

NOTICE OF THE ANNUAL GENERAL MEETING

(d) Bye-law 66(A)(v)

By inserting the words “, and in such case, the words “non-voting” shall appear in the designation of such shares and where the equity capital includes shares with different voting rights, the designation of each class of shares, other than those with the most favourable voting rights, must include the words “restricted voting” or “limited voting” immediately after the word “rights” in Bye-law 66(A)(v);

(e) Bye-law 85

By re-numbering the existing Bye-law 85 as Bye-law 85. (A) and inserting the following new Bye-law 85. (B) immediately after the new Bye-law 85. (A):

“85. (B) Where the Company has knowledge that any member is, under the rules of a stock exchange in Hong Kong, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.”;

(f) Bye-laws 109(B)(ii) and (iii)

By deleting the existing Bye-laws 109(B)(ii) and (iii) in its entirety and substituting therefor the following new Bye-laws 109(B)(ii) and (iii):

“109.(B) (ii) A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his associates is materially interested, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for that resolution) but this prohibition shall not apply to any of the following matters namely:

(i) any contract or arrangement for the giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

NOTICE OF THE ANNUAL GENERAL MEETING

- (iii) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
 - (iv) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
 - (v) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director or his associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his associates are not in aggregate beneficially interested in five per cent. or more of the issued shares of any class of such company (or of any third company through which his interest or that of his associates is derived) or of the voting rights; and
 - (vi) any proposal concerning the adoption, modification, or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates.
- (iii) If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director (other than the chairman of the meeting) or his associate(s) or as to the entitlement of any Director (other than such chairman) to vote or be counted in the quorum and such question is not resolved by his voluntarily agreeing to abstain from voting or not to be counted in the quorum, such question shall be referred to the chairman of the meeting and his ruling in relation to such other Director shall be final and conclusive except in a case where the nature or extent of the interest of the Director and/or his associate(s) concerned as known to such Director has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the chairman of the meeting such question shall be decided by a resolution of the Board (for which purpose such chairman and

NOTICE OF THE ANNUAL GENERAL MEETING

any of the other directors present who are materially interested in the contract or arrangement in question shall not be counted in the quorum and shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such chairman as known to such chairman has not been fairly disclosed to the Board.

(g) Bye-law 115

By deleting the existing Bye-law 115 in its entirety and substituting therefor the following new Bye-law 115:

“115. No person other than a Director retiring at the meeting shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting unless a notice in writing of the intention to propose such person for election as a Director, signed by a member (other than the person to be proposed for election as a Director) duly qualified to attend and vote at the meeting for which such notice is given, and a notice in writing signed by such person of his willingness to be elected shall have been lodged at the head office or at the Registration Office. The minimum length of the period during which such notices are given shall be at least seven days and the period for lodgement of such notices shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.”.

8. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

“**THAT:**

- (a) subject to paragraph (b) below, the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to purchase its shares and warrants, subject to and in accordance with the applicable laws, be and is hereby generally and unconditionally approved;
- (b) the total nominal amount of shares of the Company to be purchased pursuant to the approval in paragraph (a) above shall not exceed 10% of the total nominal amount of the share capital of the Company in issue on the date of passing of this resolution and the subscription rights attached to the warrants of the Company to be purchased pursuant to such approval shall not exceed 10% of the total subscription rights attached to the warrants outstanding on the date of passing of this resolution and the said approval shall be limited accordingly; and

NOTICE OF THE ANNUAL GENERAL MEETING

- (c) for the purpose of this resolution, “Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the revocation or variation of the authority given under this resolution by ordinary resolution passed by the Company’s shareholders in general meeting; and
 - (iii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held.”.

- 9. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

“THAT:

- (a) subject to paragraph (c) below, the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with authorised and unissued shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the Directors to make or grant offers, agreements and options during the Relevant Period which would or might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to:
 - (i) the exercise of the subscription rights attaching to the warrants issued by the Company;
 - (ii) a Rights Issue (as defined below);
 - (iii) the exercise of options under a share option scheme of the Company; and
 - (iv) any scrip dividend scheme or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Bye-laws of the Company,

shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company on the date of the passing of this resolution and the said approval shall be limited accordingly; and

NOTICE OF THE ANNUAL GENERAL MEETING

(d) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the revocation or variation of the authority given under this resolution by ordinary resolution passed by the Company’s shareholders in general meeting; and
- (iii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held;

“Rights Issue” means an offer of shares open for a period fixed by the Directors to holders of shares of the Company or any class thereof on the register on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction or the requirements of any recognised regulatory body or any stock exchange).”.

10. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

“**THAT** conditional upon the passing of resolutions nos. 8 and 9 set out in the notice convening this meeting, the general mandate referred to in resolution no. 9 above be and is hereby extended by the addition to the aggregate nominal amount of shares which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by the Directors pursuant to such general mandate of an amount representing the aggregate nominal amount of shares purchased by the Company pursuant to the mandate referred to in resolution no. 8 above, provided that such amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution.”; and

NOTICE OF THE ANNUAL GENERAL MEETING

11. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

“**THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the shares to be issued pursuant to the exercise of any options to granted under the Refreshed Limit (as defined below) pursuant to the share option scheme (“Share Option Scheme”) of the Company adopted by the resolution of the shareholders of the Company passed on 21st August, 2002 and any other schemes of the Company, the existing scheme mandate limit under the Share Option Scheme be refreshed so that the aggregate nominal amount of share capital of the Company to be allotted and issued pursuant to the exercise of any options to be granted under the Share Option Scheme and any other schemes of the Company (excluding options previously granted, outstanding, cancelled, lapsed or exercised under the Share Option Scheme and any other schemes of the Company) shall not exceed 10% of the aggregate nominal amount of the shares capital of the Company in issue as at the date of the passing of this resolution (“Refreshed Limit”) and that the Directors of the Company be and are hereby authorised to grant options up to the Refreshed Limit and to exercise all the powers of the Company to allot, issue and deal with shares of the Company pursuant to the exercise of such options.”.

On behalf of the Board
Culturecom Holdings Limited
Cheung Wai Tung
Chairman

Hong Kong, 29th July, 2004

Notes:

- (1) A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
- (2) To be valid, this form of proxy together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must be deposited at the head office and principal place of business of the Company at The Penthouse, Culturecom Centre, 47 Hung To Road, Kowloon, Hong Kong not later than 48 hours before the time of the meeting or any adjourned meeting.
- (3) The principal register of members and branch registers of members and warrant holders of the Company will be closed from 18th August, 2004 to 24th August, 2004, both days inclusive.