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C Y FOUNDATION GROUP LIMITED
(incorporated in Bermuda with limited liability)
(Stock code: 1182)

**Discloseable Transaction -
Supplemental Agreement for Exclusive Right to License and Distribute Online Game**

The Board announces that, on 1 April 2009, CYF Investments Limited, a wholly owned subsidiary of C Y Foundation Group Limited (“Company”), as licensee (“Licensee”) entered into a supplemental agreement (“Supplemental Agreement”) with YNK Korea Inc. as licensor (“Licensor”), whereby the parties have agreed to (i) adjust the Total Consideration downwards by US\$1 million from US\$9 million to US\$8 million (“Revised Consideration”); (ii) adjust the Liquidated Damages downwards by US\$600,000 from US\$1,200,000 to US\$600,000; (iii) adjust the total liability of the Company under the Guarantee downwards by US\$1 million from US\$9 million to US\$8 million and (iv) extend the Deadline for obtaining all the necessary government approvals for the launch of the Game in the PRC from 17 December 2009 to 17 March 2010 respectively. The amendments to the Agreement as detailed in the Supplemental Agreement were made subsequent to further negotiation between the Licensee and the Licensor on an arms length basis.

Reference was made to the first announcement (“First Announcement”) and the Circular (“Circular”) of the Company dated 30 December 2008 and 19 January 2009 respectively in relation to a discloseable transaction. Capitalized terms used herein shall have the same meanings as those defined in the First Announcement and the Circular unless the context otherwise requires.

This announcement is made pursuant to Rule 14.36 of the Listing Rules.

INTRODUCTION

Reference was made to the First Announcement in which the Company announced the terms of the Acquisition, being the acquisition of the exclusive right to distribute and market the Game in the PRC, at the Total Consideration of US\$9 million, comprising the Technical Support Fee in the sum of US\$4 million and the Minimum Guarantee in the sum of US\$5 million respectively. It was announced in the First Announcement that the Total Consideration should be settled as to US\$8 million thereof in cash and the balance of US\$1

million by the issue of 15,600,000 new Shares in the Company at the issue price of HK\$0.5 per Consideration Share subject to adjustments as detailed in the First Announcement.

In the First Announcement, the Company announced that if all the necessary government approvals, permits and licenses which are necessary for the launch of the Game in the PRC are not obtained within 12 months from the date of the Agreement, either party has the right to terminate the Agreement by giving a written notice of no less than 30 working days on the other party. Upon expiration of the notice, all the rights and obligations of both parties under the Agreement shall lapse and both parties shall have no claim whatsoever against the other in respect of the Agreement save for antecedent breach. The Licensor shall have the right to retain the First Installment in the sum of US\$1,200,000 as liquidated damages (“Liquidated Damages”) upon termination of the Agreement for the aforesaid reason.

The Company also announced in the First Announcement that the Company had to provide a guarantee (“Guarantee”) to the Licensor guaranteeing the payment of all the amounts due to the Licensor by the Licensee under the Agreement up to the amount of US\$9 million within 14 days after the signing of the Agreement.

After arm’s length negotiation, the Licensee and the Licensor entered into a Supplemental Agreement on 1 April 2009 to amend certain terms of the Agreement and the Guarantee.

Capitalized terms used herein shall have the same meanings as those defined in the First Announcement and the Circular unless the context otherwise requires.

THE SUPPLEMENTAL AGREEMENT

Pursuant to the Supplemental Agreement, the Technical Support Fee was adjusted downwards by US\$1 million from US\$4 million to US\$3 million by forgoing the Third Installment in the sum of US\$1 million which was agreed to be settled by the Consideration Shares. As a result, the Total Consideration for the Acquisition was adjusted downwards by US\$1 million from US\$9 million to US\$8 million. After such adjustment, the Technical Support Fee will accordingly consist of the First Installment and the Second Installment. The First Installment shall be paid within 3 working days after the signing of the Supplemental Agreement, whereas the payment date for the Second Installment shall remain unchanged.

Pursuant to the Supplemental Agreement, the deadline for obtaining all the necessary government approvals for the launch of the Game in the PRC was extended from 17 December 2009 to 17 March 2010 (“Deadline”). It was also agreed in the Supplemental Agreement that the Liquidated Damages should be reduced by US\$600,000. Hence, in the event that the Agreement is terminated on the ground that the Licensee is not able to obtain all the necessary government approvals for the launch of the Game in the PRC before the Deadline, only 50% of the First Installment i.e. US\$600,000 shall be retained by the Licensor as liquidated damages and the balance thereof in the sum of US\$600,000 shall be refunded to the Licensee no later than 23 March 2010.

As a result of the downward adjustment of the Total Consideration as aforesaid, the maximum liability of the Company under the Guarantee has also been adjusted downwards from US\$9 million to US\$8 million (“Cap”). The Cap would be reduced by the amount of each of the payments of the Technical Support Fee and the Minimum Guarantee such that the liability of the Company under the Guarantee shall extinguish after the full payment of the Technical Support Fee and the Minimum Guarantee by the Licensee.

Save as disclosed above, all other major terms and conditions of the Agreement as disclosed in the First Announcement shall remain the same.

The Directors consider that the entering into of the Supplemental Agreement is in the interests of the Company and the Shareholders as a whole and the terms of the Supplemental Agreement are fair and reasonable. This announcement is made pursuant to Rule 14.36 of the Listing Rules.

By order of the Board
Cheng Chee Tock Theodore
Chairman

Hong Kong, 1 April 2009

As at the date hereof, the executive directors of the Company are Mr CHENG Chee Tock Theodore (Chairman), Dato POH Po Lian, Mr WOELM Samuel, Mr WU Chuang John and Mr CAO Dongxin; and the independent non-executive directors are Mr SZE Tsai Ping Michael, Dr CHOW Steven, and Mr WANG Shan Chuan.