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

**Discloseable Transaction and Resumption of Trading
Exclusive right to license and distribute Online Game**

The Board announces that, on 18 December 2008, CYF Investments Limited, a wholly owned subsidiary of C Y Foundation Group Limited (“Company”), as licensee (“Licensee”) entered into an exclusive license and distribution agreement (“Agreement”) with YNK Korea Inc. as licensor (“Licensor”) to acquire the exclusive right to distribute and market the online role-playing game known as Rohan in the PRC at a total consideration of US\$9,000,000 (“Total Consideration”).

The Agreement constitutes a discloseable transaction for the Company under the Listing Rules. A circular containing, inter alia, details of the Agreement will be dispatched to the Shareholders as soon as practicable.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 am on 19 December 2008 pending the release of this announcement. The Company has applied to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 am on 31 December 2008.

THE AGREEMENT

Date: 18 December 2008

Licensee: CYF Investments Limited, a wholly-owned subsidiary of the Company. The Group is principally engaged in the provision of online game tournament services, apparel trading, strategic investments, manufacturing and sale of packaging products as well as trading of watches.

Licensor: YNK Korea Inc., a listed company in Korea which is principally engaged in game publishing business, and to the best of the Director's knowledge, information and belief having made all reasonable enquiries, the Licensor and its ultimate beneficial owner are Independent Third Parties.

License ("License") the exclusive right to distribute and market the Game in the PRC for a term of 3 years with the right to renew for 1 year commencing from the date of commencement of the Commercial Service of the Chinese Version in the PRC and subject to the terms and conditions of the Agreement.

Consideration

The Total Consideration for the License is USD9,000,000 comprising technical support fee in the sum of USD4,000,000 ("Technical Support Fee") and minimum guarantee of royalty in the sum of USD5,000,000 ("Minimum Guarantee").

The total consideration was arrived at arm's length negotiation between the parties to the agreement. The Technical Support Fee in the sum of USD4,000,000, which is the market price of a comparable online game in the market, based on recent researches conducted by the Company relating to development cost of the Game, popularity of the online game in the PRC, market structure, expected number of end users, features and playability of the online game etc. The Royalty, including the Minimum Guarantee, is determined based on market practice for similar online game and determined in accordance with the sales targets as well as the business plans of the Group. The Licensor has recorded a book value for the Game in the amount of USD10,000,000.

The Technical Support Fee which is payable for the grant of the License and the technical assistance and support to be provided by the Licensor to the Licensee in connection with the localization of the Game shall be satisfied by way of cash and by the issue of the Consideration Shares in 3 tranches. The First Installment and the Second Installment of the Technical Support Fee which shall be paid in cash will be financed by internal resources of the Group. The directors consider that the Agreement was entered into on normal commercial terms after arm's length negotiations and in the ordinary and usual course of business of the Group. The directors also consider the terms are fair and reasonable and in the interest of the Group and the Shareholders as a whole.

The Technical Support Fee will be paid by the Group in the following manner:

1. an amount of USD1,200,000 as first installment ("First Installment") will be paid within 5 working days after signing of the Agreement by the parties thereto and both parties agree that the payment of the same shall be postponed to 31st December 2008;
2. a further amount of USD1,800,000 as second installment ("Second Installment") will be paid within 5 working days after the date of commencement of the Open Beta Service of the Chinese version of the Game; and

3. a further amount of USD 1,000,000 as third installment (“Third Installment”) will be settled by the issue of consideration shares (“Consideration Shares”) by the Company to the Licensor within 10 months after signing of the Agreement or within 30 days after the payment of the Second Installment, whichever is later. Particulars of the Consideration Shares are set out in the section headed “Consideration Shares” below.

In the event that all the necessary government approvals, permits and licenses which are necessary for the distribution of the Game 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 upon termination of the Agreement for the aforesaid reason.

After the Acquisition, the Company will treat the Technical Support Fee as an intangible asset, which will be amortized equally in the 3 ensuing financial years and will treat the Royalty including the Minimum Guarantee as expenses in the Group’s account in the relevant financial period.

Guarantee Payments

In addition to the Technical Support Fee, the Licensee shall pay to the Licensor as continuing royalties 30% of the Service-Sales Amount paid by end users (“Royalty”). The Royalty shall be paid on a monthly basis within 20 days after the end of each applicable month during the initial 3 years of the Agreement (“Term”) which shall commence after the date of commencement of Commercial Service of the Chinese version of the Game in the PRC (“Term Commencement Date”).

The Licensee has to pay the Licensor a minimum guarantee of Royalty (“Minimum Guarantee”) during the Term. The Minimum Guarantee is non-refundable and in the total sum of USD5,000,000, payable by 3 yearly payments for every 12-month- period after the Term Commencement Date. The Minimum Guarantee will be settled by cash by way of annual adjustment to the Royalty already paid by the Licensee in the preceding 12 months of the relevant year and the breakdown of the Minimum Guarantee is as follows:

1. the first Minimum Guarantee in the amount of USD2,000,000 for the first 12-month period after the Term Commencement Date;
2. the second Minimum Guarantee in the amount of USD2,000,000 for the second 12-month period after the Term Commencement Date; and
3. the third Minimum Guarantee in the amount of USD1,000,000 for the third 12-month period after the Term Commencement Date.

The Minimum Guarantee for each 12-month period after the Commercial Service Date shall be settled within 2 weeks after each of the three 12-month periods. If the Royalty received by the Licensor within any of the 12-month period is less than the Minimum Guarantee for the relevant period, the Licensee shall pay to the Licensor the balance of the Minimum Guarantee. If the Royalty exceeds the Minimum Guarantee within any such 12-month period, the Licensee shall pay to the Licensor the Royalty in excess of the Minimum Guarantee (if the same has not yet been paid).

Corporate Guarantee

The Company has to provide a 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 USD9,000,000 within 14 days after the signing of the Agreement.

CONSIDERATION SHARES

According to the terms of the Agreement, the Third Installment of the Technical Support Fee in the amount of USD1,000,000 will be settled by the issue of the Consideration Shares, being a total of 15,600,000 Shares, by the Company to the Licensor at an issue price of HK\$0.5 per Consideration Share. The issue price shall be subject to adjustment in the event that the average closing price for the 15 consecutive trading days up to the day prior to the date of the payment of the Third Installment (“Average Market Price”) is below HK\$0.5 in which case the number of Consideration Shares to be issued shall be calculated in the following manner:

$$\text{Number of Consideration Shares} = \frac{\text{HK\$7.8 million}}{\text{Average Market Price (subject to a floor price of HK\$0.25)}}$$

In any event, the issue price after such adjustment shall be no less than HK\$0.25 and the number of Consideration Shares to be issued shall be no more than 31,200,000 Shares. The Consideration Shares when issued will rank pari passu with all other Shares then in issue with no restrictions on subsequent sales.

If the Average Market Price is lower than HK\$0.25, then a cash payment to be calculated in the following manner (“Cash Payment”) shall be paid by the Licensee to the Licensor in addition to the issue of the Consideration Shares:

$$\text{Cash Payment} = [\text{HK\$0.25} - \text{Average Market Price}] \times 31,200,000$$

The Consideration Shares will be issued under the general mandate granted to the Board by the shareholders of the Company on 12 August 2008, and which mandate has not yet been utilized except for the issue of the Consideration Shares.

SHAREHOLDING STRUCTURE

The following table sets out the shareholding structure of the Company (i) as at the date of this announcement, (ii) immediately after issue of the Consideration Share; and (iii) immediately after issue of the Consideration Shares and the Shares upon exercise of the subscription rights/conversion rights attaching to the outstanding convertible securities of the Company:

	As at the date of this announcement		Immediately after issue of the Consideration Shares		Immediate after issue of (i) the Consideration Shares and (ii) the Shares upon exercise of the subscription rights/conversion rights attaching to the outstanding convertible securities of the Company in full	
	No of Shares	%	No of Shares	%	No of Shares	%
Luck Continent Limited (Note 1)	2,646,264,127	54.52	2,646,264,127	54.18	3,246,264,127	46.35
YUNG Leonora (Note 2)	257,142,856	5.3	257,142,856	5.26	1,757,142,856	25.09
The Licensor	-	-	31,200,000	0.64	31,200,000	0.45
Public Shareholders (Note 3)	1,950,074,179	40.18	1,950,074,179	39.92	1,969,074,179	28.11
Total	4,853,481,162	100	4,884,681,162	100	7,003,681,162	100

Notes:

1. Luck Continent Limited is solely owned by Dato Poh Po Lian, an executive Director of the Company. As at the date of this announcement, Luck Continent Limited holds (i) 2,646,264,127 Shares and (ii) outstanding warrants in aggregate amounts of HK\$6 million which confer rights to subscribe up to 600,000,000 Shares at the subscription price of HK\$0.01 per Share (subject to adjustment).
2. 257,142,856 Shares were held by Treasure Bay Assets Limited (“Treasure Bay”), Pacific Equity Development Corp (“Pacific Equity”), Super Mark Profits Corp (“Super Mark”), Golden View Worldwide Limited (“Golden View”) and Super Crown Venture Inc (“Super Crown”). Outstanding convertible notes in aggregate amounts of HK\$15 million which confer rights to subscribe up to 1,500,000,000 Shares at the conversion price of HK\$0.01 per Share (subject to adjustment) were held by Super Bonus Management Limited (“Super Bonus”). Each of Treasure Bay, Pacific Equity, Super Mark, Golden View and Super Bonus was wholly owned by Ms Yung Leonora (the spouse of Mr Cheng Chee Tock Theodore, Chairman of the Company), whereas Super Crown was owned as to 50% by Ms Yung. Mr Cheng was deemed to be interested in all

these Shares.

3. The Company undertakes to take appropriate step(s) to resume the public float in compliance with the Listing Rules when necessary.
4. Options confer rights to subscribe for a total of 10,000,000 Shares at the subscription price of HK\$0.08 per Share (subject to adjustment) and 9,000,000 Shares at the subscription price of HK\$0.1 per Share (subject to adjustment) have been granted to the staff of the Group and are outstanding as at the date of this announcement.

INFORMATION ON YNK Korea Inc.

YNK Korea Inc, is a listed company in Korea, which was principally engaged in game publishing business.

PURPOSE OF THE ACQUISITION

The principal activity of the Group is online game tournament services, apparel trading and strategic investments, manufacturing and sale of packaging products as well as trading of watches.

Rohan is a massive multiplayer online role play game. As the Game has not been launched in PRC before, no comparable track record can be provided. However the Game has ranked in among the top 10 massive multiplayer online games in Korea for the 3 preceding years.

The Acquisition is in the ordinary and usual course of business. The Directors consider that it will be in the interest of the Group and the Shareholders as a whole to acquire reputable online game to enhance the development of the Group's gaming business and improve the comprehensiveness of the services.

The Directors consider the terms of the Agreement fair and reasonable and in the interest of the Company and the Shareholders as a whole.

GENERAL

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The Agreement constitutes a discloseable transaction for the Company under the Listing Rules. A circular containing, inter alia, the details of the Agreement will be dispatched to the shareholders of the Company as soon as practicable.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 am on 19 December 2008 pending the release of this announcement. The Company has applied to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 am on 31 December 2008.

DEFINITIONS

“Acquisition”	the acquisition of the exclusive right to distribute and market the Game in the PRC subject to the terms and conditions of the Agreement
“Agreement”	the exclusive Rohan License and distribution agreement dated 18 December 2008 made between YNK Korea Inc. as the Licensor and CYF Investments Limited as the Licensee in relation to the Acquisition
“Board”	the board of Directors
“Chinese Version”	the Game in the Simplified Chinese character language
“Commercial Service”	The commercial operation of the Game provided to the end users in the PRC
“Company”	C Y Foundation Group Limited, a company incorporated in Bermuda with limited liability and which securities are listed on the main board of the Stock Exchange
“Directors”	the directors of the Company
“Game”	The massively multi-player online role-playing game known as Rohan
“Group”	the Company and its subsidiaries
“Independent Third Party(ies)”	party(ies) which is/are independent of the Company and the connected persons of the Company as defined under the Listing Rules
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Open Beta Service”	The operation of the Game that is opened to the general public and provided free to users through for the purpose of testing the Game, the Client Software, the Server Software, and/or other software or hardware requirements necessary for the full and proper operation of the Game in the PRC and otherwise as required by the Licensor.
“PRC”	the Peoples’ Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC, and Taiwan
“Royalty”	the royalty at the rate of 30% of the Service-Sales Amount which the Licensee is obliged to pay to the Licensor on a monthly basis
“Service-Sales Amount”	The total service-sales amount paid by end users for the

Game, including amount paid for prepaid cards and client software, calculated in the billing system with the deduction of the wholesaler-discounts granted under the Agreement

“Shareholder(s)” shareholder(s) of the Company

“Share(s)” share(s) of HK\$0.001 each in the issued share capital of the Company

By order of the Board
Cheng Chee Tock Theodore
Chairman

Hong Kong, 30 December 2008

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.