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

Discloseable Transactions

The Board announces that on 10 November 2008 and 14 November 2008, the Subscriber (being a wholly owned subsidiary of the Company), Profit Grow and Zhongcheng entered into the Agreement and the Supplemental Agreement, respectively, pursuant to which Profit Grow has conditionally agreed to allot and issue and the Subscriber has conditionally agreed to subscribe for the Subscription Shares at the Consideration of HK\$30 million.

Upon Completion, the Subscriber shall make available to Profit Grow the Loan of HK\$40 million for a term of two years for financing its working capital and investment in the Target Group. The parties to the Agreement have also agreed that upon Completion, Profit Grow shall advance the Second Loan of HK\$15 million to ZSTC for a term of two years on the condition that ZSTC will provide technical assistance to the Target Group in the operation and development of the Projects. A guarantee in favor of Profit Grow will be given by the Guarantor for the repayment of the Second Loan and interest thereon.

As one of the applicable percentage ratios in relation to the Subscription and the Loan represents more than 5% and less than 25%, the Subscription and the Loan constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules.

A circular containing, among other things, further information on the Subscription, the Loan and the transactions contemplated thereunder will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

THE AGREEMENT AND THE SUPPLEMENTAL AGREEMENT

Date of the Agreement and the Supplemental Agreement: 10 November 2008 and 14 November 2008, respectively

Parties

The Subscriber: Cheer Crowd Limited, a company incorporated in the BVI and is a wholly owned subsidiary of the Company

Issuer: Profit Grow

Existing shareholder of Profit Grow: Zhongcheng

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Profit Grow and Zhongcheng and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

Zhongcheng is an investment holding company which, through Profit Grow, is principally engaged in the RFID technology related business. The Group does not have any prior business relationships with Zhongcheng.

The Subscription

Pursuant to the Agreement, Profit Grow has conditionally agreed to allot and issue to the Subscriber and the Subscriber has conditionally agreed to subscribe for the Subscription Shares, being 400 new shares in Profit Grow and representing 40% of the enlarged issued share capital of Profit Grow upon Completion, at the Consideration of HK\$30 million.

Profit Grow is a company incorporated in Hong Kong with limited liability and is currently directly wholly owned by Zhongcheng. Profit Grow is an investment holding company and it owns 100% interest in WPG, a wholly foreign owned enterprise established in the PRC. The principal business of WPG is to invest, implement and manage RFID based school safety management project for the education sector in Eastern China region (the "School Project"). Profit Grow will also establish BPG (a wholly foreign owned enterprise to be established in the PRC and will be a wholly owned subsidiary of Profit Grow upon establishment) for the purpose of undertaking RFID based information management project for the civilian sector in the PRC (the "Civilian RFID Project", together with the School Project, the "Projects"). Further information on the Target Group is set out in the section headed "Information on the Target Group" below.

Consideration

The Consideration was determined after arm's length negotiations between the Subscriber and Profit Grow having taken into account, among other things, (i) that the Subscription will provide an opportunity for the Group to gain access to the RFID technology related business in the PRC and broaden the income base of the Group, thereby enhancing the Group's future financial performance and profitability; (ii) an internal estimate of the management of the Company on the future business potential of the Target Group, in particular, the market potential of the Projects; and (iii) a profit guarantee given by Zhongcheng to the Subscriber for the aggregate of the audited consolidated net profit after tax of Profit Grow attributable to the Subscriber for the two years ending 31 December 2010 and the interest accrued on the Loan during such period in the amount of not less than RMB16 million (the "Profits Guarantee"). In the event that the Profits Guarantee cannot be met, Zhongcheng shall pay the Subscriber the shortfall up to a maximum of RMB 16 million net of any interest paid on the Loan during such period in cash within 30 days from the date of Shareholders approving, at an annual general meeting, the annual report of the Company.

According to IDTechEx, China has become the world's largest RFID market in 2007 when China is expected to spend US\$1.9 billion on RFID cards/systems representing approximately

38% of the US\$4.96 billion global market. The current applications of RFID in China are mainly in the fields of identification, logistics and ticketing and it is expected that there will be increasing application of RFID in various fields in the PRC, including education and civilian sectors. It is the current plan of WPG to provide a RFID based school management system in 1,050 schools in Suzhou and its neighboring provinces and cities over a period of approximately four years under the School Project.

Based on the above, the Directors consider that the Consideration is fair and reasonable.

The Consideration will be paid in the following manner:

- (a) a refundable sum of HK\$3 million (the “Earnest Money”) as earnest money paid prior to the signing of the Agreement; and
- (b) the balance in the sum of HK\$27 million to be paid on Completion Date.

For the purpose of funding the transactions contemplated under the Agreement, the Subscriber or the Company intends to raise funds through various means including issue of convertible note for subscription by investor(s). However, as at the date of this announcement, the Company does not have any concrete plan for the fund raising exercise(s). In the event that the Subscriber or the Company, due to no fault of its own, fails to raise the funds required for the Subscription and the transactions contemplated thereunder three Business Days prior to the Long Stop Date or any of the Conditions is not fulfilled three Business Days prior to the Long Stop Date, the Earnest Money shall be refunded by Profit Grow to the Subscriber in full without interest within seven days upon written demand by the Subscriber whereupon all parties to the Agreement shall be released from further obligations thereunder.

Loan advancement

Upon Completion, the Subscriber and Profit Grow shall enter into the Loan Agreement, pursuant to which the Subscriber shall make available to Profit Grow the Loan in the amount of HK\$40 million for a term of two years for the sole purpose of financing its working capital and investment in the Target Group at the Completion. Under the Loan Agreement, Profit Grow shall pay interest on the Loan at the rate per annum equal to the LIBOR plus 1%. Interest on the Loan shall be calculated on the basis of actual days elapsed and on a 365-day year and shall be paid half-yearly in arrears. Profit Grow shall repay the Loan in full in one lump sum together with all interest accrued thereon (if any) on the date falling two years from the date of the Loan Agreement. The Loan Agreement is conditional on, among other things, the Completion of the Subscription contemplated under the Agreement. The Subscriber intends to finance the Loan and the Subscription through the fund raising exercise(s) as mentioned in the paragraph headed “Consideration” above.

Zhongcheng will be interested in 60% of the enlarged share capital of Project Grow upon Completion. The Directors consider that Zhongcheng will contribute to the success of Profit Grow by leveraging on its experience and expertise in providing RFID technology related products and services in the PRC, in particular, its established business connection for the Projects. Zhongcheng does not have any current plan to provide any loan advancement to Profit Grow in proportion to its shareholding in Profit Grow upon Completion.

Having taken into account that (i) the terms and conditions of the Loan were determined after arm’s length negotiation between the Subscriber and Profit Grow; (ii) the Loan is interest-bearing and an interest income will be earned by the Group; and (iii) the Loan will be

used as the working capital of Profit Grow and its investment in the development and operation of the Projects, which will be ultimately beneficial to the Group and the Shareholders as a whole, the Directors consider that the Loan is fair and reasonable.

The parties to the Agreement have also agreed that Profit Grow shall upon Completion enter into the Second Loan Agreement with ZSTC whereby the Second Loan in the amount of HK\$15 million shall be advanced to ZSTC as its working capital by Profit Grow for a term of two years on the condition that ZSTC, which is specialised in RFID based information management projects in the PRC, will sign the Technical Assistance Agreement upon Completion. Under the Second Loan Agreement, ZSTC shall pay interest on the Second Loan at the rate per annum equal to the LIBOR plus 1%. The interest on the Second Loan shall be calculated on the basis of actual days elapsed and on a 365-day year and shall be paid half-yearly in arrears. The Second Loan Agreement is conditional on, among other things, the Completion of the Subscription contemplated under the Agreement. Profit Grow intends to finance the Second Loan by the Loan to be advanced by the Subscriber to Profit Grow under the Loan Agreement. In consideration of Profit Grow agreeing to advance the Second Loan to ZSTC, a guarantee in favour of Profit Grow will be given by the Guarantor for payment or repayment of the Second Loan and interest thereon. The controlling shareholder of Zhongcheng, Mr. Denny Lin, is the son of the Guarantor, who is the chairman and legal representative of ZSTC.

Under the Technical Assistance Agreement to be executed upon Completion, ZSTC will provide technical assistance to the Target Group in the operation and development of the Projects including, among other things, technical capabilities, human and material resources, use and access to all hardware and software as well as computer services and telecommunication services, hardware and software maintenance and replacement support, etc. Pursuant to the Technical Assistance Agreement, Profit Grow shall have the exclusive intellectual property rights of all inventions that are developed by ZSTC in the course of its appointment with Profit Grow in connection with the Projects. Also, Profit Grow shall have the exclusive right, title and interest in the contracts regarding the Projects made by ZSTC during the term of its appointment with Profit Grow as well as prior thereto. In addition, under the Technical Assistance Agreement, ZSTC and its associates will not directly or indirectly engaged in, concerned with, or interested in any business which is in any respect in competition with or similar to the business of investing, implementing, managing the Projects during the term of the Technical Assistance Agreement and for a period of 10 year after the termination thereof.

The Directors consider that the provision of technical assistance by ZSTC to the Target Group will be beneficial to the development and implementation of the Projects. On this basis, the Directors consider that it is fair and reasonable for Profit Grow to provide the Second Loan to ZSTC, which in return, will provide technical assistance to Profit Grow in the development and implementation of the Project.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for the abovementioned, (i) there is no relationship among ZSTC, the Group and the Target Group; and (ii) ZSTC and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

Conditions

Completion is conditional upon fulfillment or waived by the Subscriber (as the case may be) of the following Conditions:

- (a) funds of no less than US\$20 million being successfully raised by the Company or the Subscriber for the Subscription and the transactions contemplated under the Agreement no later than 3 Business Days prior to the Long Stop Date;
- (b) approval by the Shareholders (if required) for (i) the Subscription; (ii) the advancement of the Loan to Profit Grow; and (iii) all other transactions contemplated under the Agreement (if required) at a general meeting of the Company in compliance with the requirements of the Listing Rules;
- (c) the compliance of any other requirements under the Listing Rules or otherwise of the Stock Exchange or other regulatory authorities which requires compliance at any time prior to Completion in relation to the transactions contemplated under the Agreement;
- (d) the Subscriber completing a due diligence review of Profit Grow and its subsidiaries including WPG and BPG to its satisfaction and Profit Grow providing all documents, access and assistance concerning the Target Group as the Subscriber may reasonably require to complete the due diligence review no later than 30 January 2009; and
- (e) none of the Warranties, which is of a material nature, is breached upon Completion Date.

If any of the Conditions abovementioned is not fulfilled or waived (except conditions (b) and (c)) by the Subscriber (as the case may be) three Business Days prior to the Long Stop Date, the rights and obligations of the parties to the Agreement shall lapse and be of no further effect and the parties thereto shall have no claim whatsoever against one another in respect of the Agreement except for antecedent breach and the refund of the Earnest Money.

Completion

Subject to fulfillment or waiver by the Subscriber (as the case may be) of the Conditions in full, Completion shall take place on the third Business Day thereafter or on such other date as the parties to the Agreement may mutually agreed in writing.

At Completion, the Subscriber will pay the balance of the Consideration in the amount of HK\$27 million and will make available to Profit Grow the advancement of the Loan in the amount of HK\$40 million subject to the due execution of the Loan Agreement.

INFORMATION ON THE GROUP

The Company is an investment holding company. The Group is principally engaged in the provision of online game tournament services, apparel trading, strategic investments. It is also engaged in the manufacturing and sale of packaging products and trading of watches.

INFORMATION ON THE TARGET GROUP

Business of the Target Group

The Target Group is principally engaged in the provision of the RFID technology related products and services in the PRC. Profit Grow, through its wholly owned subsidiary, WPG, will offer the education sector in Eastern China region a school management system based on the RFID technology (i.e. the School Project). It is the current plan of WPG to implement

the School Project in 1,050 schools in Suzhou and its neighboring provinces and cities over a period of approximately four years. In addition, Profit Grow is establishing BPD to undertake RFID based information management projects for the civilian sector in the PRC (i.e. the Civilian RFID Project).

As at the date of this announcement, both the School Project and the Civilian RFID Project are in the development stage. It is currently expected that the business of the Target Group will commence in 2009.

Financial information on the Target Group

Since Profit Grow and WPG were respectively set up in May 2008 and August 2008, and BPG is in the process of establishment, no audited financial information on the Target Group is available as at the date of this announcement. As per the management account prepared by Profit Grow, Profit Grow recorded an accumulated loss of approximately HK\$75,000 for the period since its incorporation and up to 30 October 2008 and it had a net liability of approximately HK\$74,000 as at 30 October 2008.

Upon Completion, the investment in Profit Grow will be accounted for as an investment in associate in the books of the Company.

REASONS FOR AND THE BENEFITS OF THE SUBSCRIPTION

As set out in the Company's annual report for the year ended 31 March 2008, the Group recorded a turnover of approximately HK\$34.54 million and a net loss attributable to Shareholders of approximately HK\$41.36 million, which were mainly attributable to the initial development costs for the Group's new focus line of business in online game tournament, as well as the high operating costs and increased competition in the apparel trading business. The Directors therefore consider that it will be in the interest of the Group and the Shareholders as a whole to diversify the Group's businesses into industries with growing prospect for the purposes of broadening its source of income as well as client base.

The Company is optimistic on the market of RFID based information management systems in the PRC, in particular, in the education sector and the civilian sector. The Directors further consider that the success in the development of RFID based information management projects under the Projects will enable the Group to generate good investment returns to the Shareholders. In this regard, the Directors believe that the Subscription provides the Group with a good opportunity to diversify into the RFID technology related businesses, which may broaden the Group's sources of income and have positive impact on the financial performance of the Group.

The Board considers that the provision of the Loan to Profit Grow under the Loan Agreement will meet Profit Grow's working capital requirement and facilitate the development and implementation of the Projects. In addition, as the Loan is interest bearing, an interest income will be earned. The Board further considers that, with the Second Loan to be advanced by Profit Grow to ZSTC under the Second Loan Agreement, Profit Grow will be able to utilise the technical assistance to be provided by ZSTC for the development and operation of the Projects which, in turn, will be beneficial to the business development of Profit Grow.

Having taken into account (i) that the Subscription represents a good opportunity for the Group to diversify its business portfolio and to gain access to the RFID technology related

business; (ii) the future business potential of the RFID technology industry in the PRC; and (iii) the nature and the scale of the Projects, the Directors believe that the terms of the Subscription are fair and reasonable and in the interests of the Shareholders as a whole.

GENERAL

As one of the applicable percentage ratios in relation to the Subscription and the Loan represents more than 5% and less than 25%, the Subscription and the Loan constitute discloseable transactions for the Company under Chapter 14 of the Listing Rules.

A circular containing, among other things, further information on the Subscription, the Loan and the transactions contemplated thereunder will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

DEFINITIONS

“Agreement”	the subscription agreement dated 10 November 2008 entered into among Zhongcheng, the Subscriber and Profit Grow in relation to the Subscription, as supplemented by the Supplemental Agreement
“Board”	the board of Directors
“BPG”	北京中成利高射頻技術有限公司 (Beijing Zhongcheng Profit Grow RFID Technology Limited), a wholly foreign owned enterprise to be established by Profit Grow in Beijing, the PRC, for the sole purpose of undertaking RFID based information management project for the civilian sector in the PRC
“Business Day(s)”	means day(s) (other than Saturday or Sunday) on which banks are generally open for banking business in Hong Kong
“BVI”	British Virgin Islands
“Company”	C Y Foundation Group Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Stock Exchange
“Completion”	completion of the Subscription pursuant to the terms of the Agreement
“Completion Date”	the third Business Day immediately after all the Conditions have been fulfilled or waived (as the case may be) or such other date as the parties to the Agreement may agree in writing

	on which the Completion is to take place
“Conditions”	the conditions of the Agreement, details of which are set out in the paragraph headed “Conditions” under the section headed “The Agreement” of this announcement
“Consideration”	the consideration in the amount of HK\$30 million payable for the Subscription Shares
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Guarantor”	Mr Lin Yingqiu, the chairman and legal representative of ZSTC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“LIBOR”	the London Interbank Offered Rate for lending in US dollars
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the principal sum of HK\$40 million to be advanced by the Subscriber to Profit Grow for a term of 2 years for the sole purpose of financing its working capital and investment in the Target Group at the Completion
“Loan Agreement”	a loan agreement to be executed at the Completion Date in relation to the advance of the Loan by the Subscriber to Profit Grow
“Long Stop Date”	10 February 2009 or such other date as the parties to the Agreement may agree in writing
“Profit Grow”	Profit Grow (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and is wholly owned by Zhongcheng
“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
“RFID”	Radio Frequency Identification

“Second Loan”	the principal sum of HK\$15 million to be advanced by Profit Grow to ZSTC pursuant to the Second Loan Agreement
“Second Loan Agreement”	a loan agreement to be executed by Profit Grow and ZSTC in relation to the advance of the Second Loan by Profit Grow to ZSTC
“Share(s)”	share(s) of HK\$0.001 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Cheer Crowd Limited, a company incorporated in the BVI which is a wholly owned subsidiary of the Company
“Subscription”	the subscription by the Subscriber for the Subscription Shares subject to the terms and conditions of the Agreement
“Subscription Shares”	400 new shares to be allotted and issued as full paid by Profit Grow to the Subscriber, which shares shall upon issue rank pari passu in all respects with all existing issued shares of Profit Grow
“Supplemental Agreement”	a supplemental agreement dated 14 November 2008 entered into among Zhongcheng, the Subscriber and Profit Grow, which is supplemental to the Agreement
“Target Group”	Profit Grow and its subsidiaries
“Technical Assistance Agreement”	an agreement to be entered into by ZSTC and Profit Grow pursuant to which ZSTC will provide technical assistance to the Target Group in the operation and the development of the Projects, on the condition that the Second Loan Agreement has been executed by Profit Grow and ZSTC
“Warranties”	the warranties, representations and undertaking given by the parties to the Agreement as set out in the Agreement
“WPG”	無錫利高計算機科技有限公司 (Wuxi Profit Grow Computer Technology Limited), a wholly foreign owned enterprise established

in the PRC and is a wholly owned subsidiary of Profit Grow

“Zhongcheng”	Zhongcheng Satellite Technology Centre (Overseas) Ltd., a company incorporated in the BVI and is currently the sole existing shareholder of Profit Grow
“ZSTC”	Zhongcheng Satellite Technology Center Co. Ltd, a Chinese enterprise duly established under the laws of PRC, of which the Guarantor is the chairman and legal representative
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	US dollars, the lawful currency of United States
“%”	per cent

By order of the Board
Cheng Chee Tock Theodore
Chairman

Hong Kong, 14 November 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.