

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement appears for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of C Y Foundation Group Limited.



C Y FOUNDATION GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1182)

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION AND RESUMPTION OF TRADING

Financial adviser to the Company



THE AGREEMENT

The Board announces that on 11 July 2008, the Purchaser, which is a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendors (the ultimate beneficiaries of which are connected persons of the Company) for the Acquisition, being the conditional acquisition of the entire share capital of Kingbox, the holding company of a group of companies which are principally engaged in manufacturing and sale of packaging products and watch trading, together with all outstanding loans, if any, due by Kingbox to the Vendors.

The Initial Consideration for the Acquisition in the total amount of HK\$160 million is to be satisfied as to HK\$96 million by cash and as to HK\$64 million by the issue of the Initial Consideration Shares by the Company to the Vendors. Deferred Consideration will be paid by the Purchaser to the Vendors as additional consideration (as to 60% and 40% of the Deferred Consideration, if any, will be settled by way of cash payment and issue of the Deferred Consideration Shares respectively), or the Vendors are obliged to repay the Purchaser Downward Adjustment Payment(s) in the form of cash by making reference to the Guaranteed Profit and the NPAT of the Target

Group for each of the Relevant Financial Periods. Particulars of the Consideration are set out in the paragraphs headed “Consideration” under the section headed “The Agreement” below. Details of the Consideration Shares are set out in the section headed “The Consideration Shares” below.

The Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. As the ultimate beneficiaries of the Vendors are (1) (in respect of 50% shareholding interest in Super Crown and the entire shareholding interest in each of Golden View, Treasure Bay and Super Mark) a discretionary trust of Ms. Yung, who is the spouse of Mr. Cheng, the executive Director and the Chairman of the Company, or Ms. Yung herself; and (2) (in respect of 50% shareholding interest of Super Crown) the family members of Mr. Wu, a non-executive Director, the Vendors are connected persons of the Company under the Listing Rules. The Acquisition therefore also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Accordingly, completion of the Acquisition is subject to, among other things, the approval by the Independent Shareholders at the SGM, and Mr. Cheng, Ms. Yung and Mr. Wu, together with their respective associates, shall abstain from voting on the resolution to approve the Agreement and the transactions contemplated thereunder at the SGM. The voting will be taken by way of poll in accordance with the requirements of the Listing Rules. As at the date of this announcement, Mr. Cheng, Ms. Yung and Mr. Wu have no shareholdings in the Company.

The Independent Board Committee will be established to advise the Independent Shareholders regarding the Agreement and the transactions contemplated thereunder. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreement and the transaction contemplated thereunder. A circular containing, among other things, (a) further information on the Acquisition and the Target Group; (b) the IBC Letter; (c) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition; (d) a notice of the SGM; and (e) other information as required by the Listing Rules, will be dispatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30a.m. on 14 July 2008 pending the release of this announcement. The Company has applied to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 18 July 2008.

THE AGREEMENT

Date

11 July 2008

Parties

Purchaser: Ace Luck International Limited, a company incorporated in BVI and is a wholly-owned subsidiary of the Company.

Vendors:

- (i) Super Crown, a company incorporated in BVI which is ultimately owned as to (a) 50% by the family members of Mr. Wu and (b) 50% by the discretionary trust of Ms. Yung;
- (ii) Golden View, a company incorporated in BVI which is wholly owned by the discretionary trust of Ms. Yung;
- (iii) Treasure Bay, a company incorporated in BVI which is wholly owned by Ms. Yung; and
- (iv) Super Mark, a company incorporated in BVI which is wholly owned by Ms. Yung.

Mr. Wu is a non-executive Director and Ms. Yung is the spouse of Mr. Cheng, an executive Director and the Chairman of the Company. Accordingly, the Vendors are connected persons of the Company under the Listing Rules.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries (i) there is no prior business or other relationship between the Vendors and their ultimate beneficial owners with the Company and its connected persons; and (ii) the Vendors and their ultimate beneficial owners are not parties acting in concert with other Shareholders.

Assets to be acquired

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the Sale Shares, being 5,000,000 shares in Kingbox which represent 100% of the entire issued share capital therein (as to 2,500,000 shares, 2,000,000 shares, 250,000 shares and 250,000 shares in Kingbox will be sold by Super Crown, Golden View, Treasure Bay and Super Mark respectively pursuant to the terms of the Agreement) and the Sale Debt, being all of the outstanding loans, if any, due from Kingbox to the Vendors or their affiliates as at the Completion Date.

Kingbox is the ultimate holding company of the Target Group which is principally engaged in (i) manufacturing and sale of packaging products; and (ii) watch trading. For further details of the Target Group, please refer to the section headed “Information on the Target Group” below. Upon Completion, Kingbox will become a wholly-owned subsidiary of the Company.

Consideration

Initial Consideration

The Initial Consideration for the Acquisition of HK\$160 million, which was determined after taking into account, inter alia, the Initial Guaranteed Profit and the P E Ratio, will be satisfied by the Group in the following manner:

- i. an amount of HK\$15 million has been paid by the Group to the Vendors in cash upon signing of the Letter of Intent and such amount has become refundable deposit and part payment of the Initial Consideration upon signing of the Agreement by the parties thereto;
- ii. a further amount of HK\$30 million has been paid by the Group to the Vendors in cash as refundable deposit and part payment of the Initial Consideration upon signing of the Agreement by the parties thereto;
- iii. a further amount of HK\$51 million will be paid by the Group to the Vendors in cash as part payment of the Initial Consideration on Completion; and
- iv. the balance of the Initial Consideration in the amount of HK\$64 million will be settled by the issue of Initial Consideration Shares by the Company to the Vendors upon Completion. Particulars of the Initial Consideration Shares are set out in the section headed “The Consideration Shares” below.

Guaranteed Profits, Deferred Consideration and Downward Adjustment Payments

Pursuant to the terms of the Agreement, the Vendors have guaranteed the Purchaser that the NPAT of the Target Group for its financial year ended 30 June 2008, for the six-month period ending 31 December 2008 and for the twelve-month period ending 31 December 2009 will be HK\$16 million, HK\$8 million and HK\$16 million respectively.

Subject to the Target Group meeting the Initial Guaranteed Profit in respect of its financial year ended 30 June 2008, the Purchaser shall further pay a Deferred Consideration within one month from the issue of the audited accounts of the Target Group for the financial year ended 30 June 2008. The amount of the Deferred

Consideration shall be determined according to the following formula but in any event shall not be more than HK\$20 million.

$$\text{Deferred Consideration} = \text{NPAT of the Target Group for the year ended 30 June 2008} \times \text{P E Ratio (Note)} - \text{Initial Consideration}$$

Note: The PE Ratio was determined by the parties to the Agreement by making reference to the prevailing price to earning ratios of companies which are engaged in businesses similar to those of the Target Group and the securities of which are listed on the stock exchanges in Hong Kong, Shenzhen of the PRC, New York or Australia.

The Deferred Consideration, which will not be more than HK\$20 million, will be satisfied by the Group as to 60% (i.e. up to a maximum of HK\$12 million) in cash, and as to 40% (i.e. up to a maximum of HK\$8 million) by the issue of the Deferred Consideration Shares by the Company to the Vendors. Particulars of the Deferred Consideration Shares are set out in the section headed “The Consideration Shares” below.

In the event that the Target Group does not meet the Guaranteed Profit in respect of any Relevant Financial Period, the Vendors are obliged to repay the Purchaser a Downward Adjustment Payment in the form of cash for that Relevant Financial Period within one month from the issue of the relevant audited accounts of the Target Group. The Downward Adjustment Payment in respect of that Relevant Financial Period shall be determined according to the following formula but the total amount of all Downward Adjustment Payments shall not be more than HK\$20 million.

$$\text{Downward Adjustment Payment in respect of any Relevant Financial Period} = \text{Shortfall of the NPAT of the Target Group from the Guaranteed Profit for that Relevant Financial Period} \times \text{P E Ratio}$$

Subject to Completion taking place, further announcement will be made by the Company pursuant to Rule 14A.57 if the NPAT of the Target Group during any Relevant Financial Period is less than the Guaranteed Profit of that Relevant Financial Period.

The cash portion of the Initial Consideration in the total amount of HK\$96 million and the cash portion of the Deferred Consideration (if any) will be financed by internal resources of the Group.

The terms of the Agreement, including the Consideration and the payment terms thereof, were determined after arm’s length negotiations between the parties to the Agreement and after taking into account the factors set out in the section headed “Reasons for and the benefits of the Acquisition” below, the financial information on the Target Group as set out in the section headed “Information on the Target Group” below, as well as the Guaranteed Profits and the P E Ratio.

The Directors (other than the independent non-executive Directors who will express their opinion in the IBC Letter) consider that the terms of the Agreement, including the Consideration, are fair and reasonable and the Acquisition is in the interests of the Group and the Shareholders as a whole.

Conditions

Completion of the Agreement is conditional upon fulfillment or waiver by the Purchaser (as the case may be) of the following Conditions:

- (a) the Agreement having been approved by the Independent Shareholders in the SGM;
- (b) the Vendors having complied fully with their obligations to conduct business of the Target Group before Completion as detailed in the Agreement;
- (c) the Purchaser having notified the Vendors that it is satisfied with the Due Diligence Review;
- (d) the Listing Committee of the Stock Exchange having granted the listing of, and the permission to deal in, the Initial Consideration Shares and the Deferred Consideration Shares; and
- (e) the warranties given by the Vendors as detailed in the Agreement remaining true and not misleading in all respects.

The Purchaser shall be entitled at any time by a notice in writing to the Vendors to waive any part of Condition (b). If (i) any fact which would prevent any Condition from being satisfied on the date initially set for Completion comes to the knowledge of the Purchaser; or (ii) any Condition is not fulfilled or waived either in whole or in part by the Purchaser (as the case may be) on or before 31 October 2008 (or such other date as the parties to the Agreement may agree in writing), the Purchaser shall be entitled to treat the Agreement as terminated.

If this Agreement is terminated in accordance with the terms of the Agreement, all obligations of the Vendors and the Purchaser under the Agreement shall cease, provided that rights and liabilities of the parties to the Agreement which have accrued prior to the termination shall subsist and all payments of the Initial Consideration paid to the Vendors by the Purchaser shall be refunded by the Vendors to the Purchaser forthwith without interest.

Completion

Subject to fulfillment or waiver by the Purchaser (as the case may be) of the Conditions in full, Completion shall take place on a Business Day within 10 calendar days thereafter or on such other date as the parties to the Agreement may mutually agreed in writing.

At Completion, the Group will pay the balance of the cash portion of the Initial Consideration in the amount of HK\$51 million and will issue the Consideration Shares to the Vendors for settlement of the balance of the Initial Consideration. Particulars of the Consideration Shares are set out in the section headed “The Consideration Shares” below.

No change will be made to the composition of the Board as a result of the Acquisition.

THE CONSIDERATION SHARES

According to the terms of the Agreement, part of the Initial Consideration in the amount of HK\$64 million shall be settled by the issue of the Initial Consideration Shares, being a total of 228,571,428 Shares, by the Company to the Vendors at an issue price of HK\$0.28 per Initial Consideration Share. In addition, 40% of the Deferred Consideration, if any, shall be settled by the issue of the Deferred Consideration Shares by the Company to the Vendors also at the issue price of HK\$0.28 per Deferred Consideration Share. On the basis that the Deferred Consideration will not be more than HK\$20 million in any event, a maximum of 28,571,428 new Shares may be issued as Deferred Consideration Shares. The Consideration Shares, including the Initial Consideration Shares and the Deferred Consideration Shares, when allotted and issued, shall rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares including the right to receive all dividends, distributions and other payments made or to be made, the record dates for which fall on or after the date of such allotment and issue.

The Initial Consideration Shares represent:

- (i) approximately 4.98% of the existing issued share capital of the Company; and
- (ii) approximately 4.74% of the total issued share capital of the Company as enlarged by the issue of the Initial Consideration Shares.

On the basis that a maximum of 28,571,428 new Shares are issued as Deferred Consideration Shares, such Deferred Consideration Shares represent:

- (i) approximately 0.62% of the existing issued share capital of the Company; and
- (ii) approximately 0.59% of the total issued share capital of the Company as enlarged by the issue of the Initial Consideration Shares and the Deferred Consideration Shares.

The issue price of HK\$0.28 per Consideration Share represents:

- (i) a discount of approximately 9.68% to the closing price of HK\$0.31 per Share as quoted on the Stock Exchange on 11 July 2008, being the date of the Agreement as well as the date immediately before suspension of trading of the Shares pending release of this announcement;
- (ii) a premium of approximately 0.72% over the average closing price of approximately HK\$0.278 per Share for the five consecutive trading days up to and including 11 July 2008;
- (iii) a discount of approximately 11.39% to the average closing price of approximately HK\$0.316 for the ten consecutive trading days up to and including 11 July 2008; and
- (iv) a premium of 42.86% over the audited net asset value per Share of approximately HK\$0.196 based on the audited consolidated net asset value of the Group of approximately HK\$764,746,000 as at 31 March 2008 and a total of 3,892,994,561 Shares in issue as at that date.

The issue price per Consideration Share was determined after arm's length negotiation between the Purchaser and the Vendors after taking into account the recent trading prices of the Shares and the audited consolidated net asset value of the Group as at 31 March 2008. The Directors (other than the independent non-executive Directors who will express their opinion in the IBC Letter) consider that the issue price per Consideration Share is fair and reasonable.

Application for listing

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Board will seek approval from the Independent Shareholders at the SGM for the grant of a specific mandate 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 Initial Consideration Shares, (iii) immediately after issue of the Consideration Shares; and (iv) 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 Initial Consideration Shares		Immediately after issue of the Consideration Shares		Immediately 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	%	No. of Shares	%
Luck Continent Limited <i>(Note 1)</i>	2,646,264,127	57.62	2,646,264,127	54.88	2,646,264,127	54.56	3,246,264,127	46.61
Playtech Software Limited and its subsidiary	253,750,000	5.52	253,750,000	5.26	253,750,000	5.23	253,750,000	3.64
The Vendors <i>(Note 2)</i>	–	–	228,571,428	4.74	257,142,856	5.30	257,142,856	3.69
Super Bonus Management Limited <i>(Note 3)</i>	–	–	–	–	–	–	1,500,000,000	21.54
Public Shareholders <i>(Notes 4 and 5)</i>	1,692,980,434	36.86	1,692,980,434	35.12	1,692,980,434	34.91	1,707,980,434	24.52
Total	<u>4,592,994,561</u>	<u>100.00</u>	<u>4,821,565,989</u>	<u>100.00</u>	<u>4,850,137,417</u>	<u>100.00</u>	<u>6,965,137,417</u>	<u>100.00</u>

Notes:

- Luck Continent Limited is solely owned by Dato Poh Po Lian, an executive Director. 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).
- One of the Vendors, namely Super Crown, is owned as to 50% by the family members of Mr. Wu who is a non-executive Director and as to 50% by a discretionary trust of Ms. Yung, spouse of Mr. Cheng who is an executive Director and the Chairman of the Company. The other three Vendors, namely Golden View, Treasure Bay and Super Mark, are either wholly owned by the discretionary trust of Ms. Yung or by Ms. Yung herself.

3. Super Bonus Management Limited is wholly owned by Ms. Yung. As at the date of this announcement, Super Bonus Management Limited holds outstanding convertible notes in an aggregate amount of HK\$15 million which confer rights to subscribe up to 1,500,000,000 Shares at the conversation price of HK\$0.01per Share (subject to adjustment).
4. Options confer rights to subscribe for a total of 15,000,000 Shares at the subscription price of HK\$0.41 per Share (subject to adjustment) have been granted to an independent third party and are outstanding as at the date of this announcement.
5. The Company undertakes to take appropriate step(s) to resume the public float in compliance with the Listing Rules when necessary.

INFORMATION ON THE GROUP

The Company is an investment holding company. The Group is principally engaged in provision of online game tournament services, apparel trading and strategic investments.

INFORMATION ON THE TARGET GROUP

Businesses of the Target Group

The subject of the Acquisition is the entire issued share capital of, and all of the outstanding loans, if any, due as at the Completion Date to the Vendors and their affiliates by Kingbox. Kingbox is currently owned as to 50%, 40%, 5% and 5% by Super Crown, Golden View, Treasure Bay and Super Mark, respectively. The Target Group is principally engaged in (a) manufacturing and sale of packaging products such as boxes and window display units for watches, jewellery, pens, gift and accessories; and (b) trading of watches.

The Target Group's products are targeted at medium to high end markets and its customers are mainly distributors, retailers and other end users of packaging products based in Europe, the United States of America, and Southeast Asia region, including internationally renowned brand-owners, which have acquired tailor-made packaging items from the Target Group for their branded projects and luxury consumer goods.

The Target Group has run two production facilities in Long Keng, Shenzhen, Guangdong Province, the PRC under two processing agreements with a total production/storage floor area and dormitory floor area of approximately 31,000 square meters.

Financial information on the Target Group

Set out below is a summary of the key financial data of the Target Group based on the audited consolidated accounts of Kingbox for the years ended 30 June 2006 and 30 June 2007 which have been prepared in accordance with the generally accepted accounting principles in Hong Kong:

	For the year ended 30 June 2006 (Audited) HK\$	For the year ended 30 June 2007 (Audited) HK\$
Consolidated turnover	99,168,095	106,139,968
Consolidated profit before tax for the financial year/period	4,525,293	7,478,940
Consolidated profit after tax for the financial year/period	3,549,726	6,690,610
Consolidated net asset value as at end of the financial year/period	39,994,784	45,685,394

Upon Completion, the companies within the Target Group will become subsidiaries of the Company and their financial results will be consolidated with those of the Group.

REASONS FOR AND THE BENEFITS OF THE ACQUISITION

As set out in the Company's final results announcement 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. As set out in the section headed "Information on the Target Group" above, the Target Group recorded an audited consolidated turnover of approximately HK\$106.14 million and an audited consolidated profit after tax of approximately HK\$6.69 million for the year ended 30 June 2007, representing respective growth of approximately 7.03% and 88.48% from the year ended 30 June 2006. On that basis, the Directors (other than the independent non-executive Directors who will express their opinion in the IBC Letter) are of the opinion that upon Completion, the Target Group will provide a steady stream of sales and profit contribution to the Group.

The Directors (other than the independent non-executive Directors who will express their opinion in the IBC Letter) are also of the opinion that there will be synergy effect on the respective businesses of the Group and the Target Group after Completion. The extensive client base of the Target Group will become a valuable asset of the enlarged Group after Completion, and the Target Group may utilize its valuable business relationships with its customers including internationally renowned brand-owners in sourcing prizes or gifts at lower costs, and in some cases acquiring limited edition products of such internationally renowned brand-owners as prizes or gifts, for the Group's online game tournament business in the PRC.

The Group will continue its existing businesses as well as running the businesses of the Target Group following the Acquisition. The Directors believes that by leveraging on the Group's extensive management experience in financial and operational management, together with the experience of the management of the Target Group (the companies within the Target Group will become subsidiaries of the Group upon Completion), the enlarged Group after Completion will has the relevant experience and expertise to run and manage the businesses of the Target Group.

On the basic of the above factors, the Directors (other than the independent non-executive Directors who will express their opinion in the IBC Letter) believe that the Acquisition provides the Group with a good opportunity to diversify into the packaging and watch trading businesses which may create synergies with the Group's existing businesses and have positive impact on the financial performance of the Group.

GENERAL

The Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. As the ultimate beneficiaries of the Vendors are (1) (in respect of 50% shareholding interest in Super Crown and the entire shareholding interest in each of Golden View, Treasure Bay and Super Mark) a discretionary trust of Ms. Yung, who is the spouse of Mr. Cheng, the executive Director and the Chairman of the Company, or Ms. Yung herself; and (2) (in respect of 50% shareholding interest of Super Crown) family members of Mr. Wu, a non-executive Director of the Company, the Vendors are connected persons of the Company under the Listing Rules. The Acquisition therefore also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Accordingly, completion of the Acquisition is subject to, among other things, the approval by the Independent Shareholders at the SGM, and Mr. Cheng, Ms. Yung and Mr. Wu, together with their respective associates, shall abstain from voting on the resolution to approve the Agreement and the transactions contemplated thereunder at the SGM. The voting will be taken by way of poll in accordance with the requirements of the Listing Rules. As at the date of this announcement, Mr. Cheng, Ms. Yung and Mr. Wu have no shareholdings in the Company.

The Independent Board Committee has been established to advise the Independent Shareholders regarding the Agreement and the transactions contemplated thereunder. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreement and the transaction contemplated thereunder. A circular containing, among other things, (a) further information on the Acquisition and the Target Group; (b) the IBC Letter; (c) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition; (d) a notice of the SGM; and (e) other information as required by the Listing Rules, will be dispatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 14 July 2008 pending the release of this announcement. The Company has applied to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 18 July 2008.

DEFINITIONS

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

“Acquisition”	the acquisition by the Purchaser of the Sale Shares and the Sale Debt beneficially and directly owned by the Vendors
“Agreement”	the sale and purchase agreement dated 11 July 2008 entered into between the Purchaser and the Vendors in relation to the Acquisition
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“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 Acquisition pursuant to the terms of the Agreement
“Completion Date”	a Business Day within 10 calendar days 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 mutually agreed in writing on which Completion is to take place
“Condition(s)”	the condition(s) of the Agreement, details of which are set out in the paragraph headed “Conditions” under the section headed “The Agreement” of this announcement
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the total consideration for the Acquisition, refers to the Initial Consideration, together with the Deferred Consideration (if any) and the Downward Adjustment Payment (if any)
“Consideration Shares”	the Initial Consideration Shares and the Deferred Consideration Shares
“Deferred Consideration”	additional consideration, if any, to be paid by the Group for the Acquisition which will be determined by making reference to the Initial Guaranteed Profit and the NPAT of the Target Group for the year ended 30 June 2008, details of which are set out in the paragraph headed “Consideration” under the section headed “The Agreement” of this announcement
“Deferred Consideration Shares”	a total of up to 28,571,428 new Shares to be issued at the price of HK\$0.28 per Share for settlement of part of the Deferred Consideration in the amount of up to HK\$8 million
“Director(s)”	the director(s) of the Company
“Downward Adjustment Payment(s)”	cash payment(s) obliged to be made by the Vendors to the Purchaser in the event that the Target Group does not meet the Guaranteed Profits in any of the Relevant Financial Periods, details of which are set out in the paragraph headed “Consideration” under the section headed “The Agreement” of this announcement

“Due Diligence Review”	the full due diligence review and investigation as to the financial, legal, commercial and taxation aspects of each member of the Target Group and its title to its assets conducted by the Purchaser, its professional and financial advisers, accountants or agents as detailed in the Agreement
“Golden View”	Golden View Worldwide Limited, a company incorporated in BVI which is wholly owned by a discretionary trust of Ms. Yung
“Group”	the Company and its subsidiaries
“Guaranteed Profit(s)”	the NPAT of the Target Group guaranteed by the Vendors for (i) the year ended 30 June 2008 in the amount of HK\$16 million; (ii) the six months ending 31 December 2008 in the amount of HK\$8 million; and (iii) the twelve months ending 31 December 2009 in the amount of HK\$16 million
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IBC Letter”	a separate letter from the Independent Board Committee to the Independent Shareholders which shall be included in the circular in relation to the Acquisition to be issued by the Company
“Independent Board Committee”	the Independent Board Committee which will be established and will comprise all independent non-executive Directors for the purpose of advising the Independent Shareholder regarding the Agreement and the transactions contemplated thereunder, including the Acquisition
“Independent Shareholders”	Shareholders who have no interest in the Agreement and the transactions contemplated thereunder, including the Acquisition
“Initial Consideration”	the initial Consideration in the amount of HK\$160 million

“Initial Consideration Shares”	a total of 228,571,428 new Shares to be issued at the price of HK\$0.28 per Share for settlement of part of the Initial Consideration in the amount of HK\$64 million
“Initial Guaranteed Profit”	the Guaranteed Profit for the year ended 30 June 2008 in the amount of HK\$16 million
“Kingbox”	Kingbox (Asia) Limited, the subject of the Acquisition which is a company incorporated in Hong Kong owned as to 50%, 40%, 5% and 5% by Super Crown, Golden View, Treasure Bay and Super Mark, respectively
“Letter of Intent”	the non-legally binding letter of intent dated 10 March 2008 entered into between the Purchaser and the Vendors in relation to their intention regarding the sale and purchase of the Sale Shares
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Cheng”	Mr. Cheng Chee Tock, Theodore, an executive Director and the Chairman of the Company
“Mr. Wu”	Mr. Wu Chuang, John, a non-executive Director
“Ms. Yung”	Ms. Yung, Leonora, spouse of Mr. Cheng
“NPAT of the Target Group”	the audited consolidated net profit after tax of the Target Group after netting off the net profit after tax contributed by the Group (other than the Target Group after Completion)
“P E Ratio”	a price to earning ratio of 10
“PRC”	the Peoples’ Republic of China, for the purpose of this announcement, not including Hong Kong, the Macau Special Administrative Region of the PRC, and Taiwan
“Purchaser”	Ace Luck International Limited, a company incorporated in the BVI which is a wholly-owned subsidiary of the Company

“Relevant Financial Periods”	refers to the financial year ended 30 June 2008 of the Target Group, the six-month period ending 31 December 2008 and the twelve-month period ending 31 December 2009; and “Relevant Financial Period” refers to any of such financial year and periods
“Sale Debt”	the amount representing all the outstanding loans, if any due from Kingbox to the Vendors or their affiliates as at the Completion Date
“Sale Shares”	5,000,000 shares of HK\$1.00 each in the share capital of Kingbox, representing the entire issued share capital of Kingbox, beneficially held by the Vendors
“SGM”	a special general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving, among other things, the Agreement and the transactions contemplated thereunder
“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
“Super Crown”	Super Crown Venture Inc., a company incorporated in BVI which is ultimately owned as to (a) 50% by the family members of Mr. Wu and (b) 50% by a discretionary trust of Ms. Yung
“Super Mark”	Super Mark Profits Corporation, a company incorporated in BVI which is wholly owned by Ms. Yung
“Target Group”	Kingbox and its subsidiaries
“Treasure Bay”	Treasure Bay Assets Limited, a company incorporated in BVI which is wholly owned by Ms. Yung
“Vendors”	vendors of the Sale Shares and the Sale Debts (if any), namely Super Crown, Golden View, Treasure Bay and Super Mark, in respect of 2,500,000 Sale Shares, 2,000,000 Sale Shares, 250,000 Sale Shares and 250,000 Sale Shares respectively

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong

“%” per cent

On behalf of the Board

Samuel Woelm

Executive Director

Hong Kong, 17 July 2008

As at the date hereof, the executive directors of the Company are Mr. Cheng Chee Tock Theodore (Chairman), Dato Poh Po Lian, and Mr. Woelm Samuel; non-executive directors are 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.