



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

**Downward adjustment to total consideration for acquisition of
T-Matrix Culture Company Limited**

Reference was made to the Acquisition Announcement of the Company dated 6 June 2007 in relation to the Acquisition, being the purchase of the interest in T-Matrix by the Group. Unless stated herein, terms used herein shall bear the same meaning in the Acquisition Announcement.

The Board announces that on 19 December 2007, the Vendors and the Purchaser entered into the Supplemental Agreement pursuant to which the Total Consideration for the Acquisition was adjusted downwards by Rmb550,000 (equivalent to approximately HK\$561,935) from Rmb22,378,408 (being the Cash Consideration of Rmb7,378,408 and Share Consideration of Rmb15,000,000) to Rmb21,828,408. The Adjustment was made subsequent to the due diligence of T-Matrix by the Company and was due to the deduction of various payments or possible tax liabilities having been paid or may be incurred by T-Matrix Group that should not have been borne by T-Matrix Group or the Purchaser. The Adjusted Amount will be deducted from the Cash Consideration.

INTRODUCTION

Reference was made to the announcement of C Y Foundation Group Limited (“Company”) dated 6 June 2007 (“Acquisition Announcement”) whereby the Company announced for the Acquisition, being the purchase of the interest in T-Matrix Group, at the Total Consideration of Rmb22,378,408, which was to be settled by the Cash Consideration of Rmb7,378,408 and the Share Consideration of Rmb15,000,000. The Share Consideration will be settled by the issue of the Consideration Shares of a maximum of 11,145,818 new Shares in the Company. The Total Consideration was/ is to be settled by 4 tranches while the first tranche had been paid by the time the S&P Agreement was entered into.

Unless stated herein, terms used herein shall bear the same meaning in the Acquisition Announcement.

The Board announces that on 19 December 2007, the Vendors and the Purchaser entered into a supplemental agreement (“Supplemental Agreement”) pursuant to which the Total Consideration for the Acquisition was adjusted downwards by Rmb550,000 (equivalent to approximately HK\$561,935) (“Adjusted Amount”) to Rmb21,828,408. The Adjusted Amount will be deducted from the Cash Consideration.

The Adjustment was made subsequent to the due diligence of T-Matrix by the Company and Adjusted Amount roughly represents the aggregate of (a) payment having been paid before the

entering into the Supplemental Agreement by T-Matrix for expenses which were not considered as ordinary business expenses of T-Matrix Group, and (b) the estimated increase in tax liabilities of T-Matrix Group arising from the write back from various accounts payables in T-Matrix Group.

Pursuant to the Supplemental Agreement, the settlement of the second tranche of the Total Consideration shall take place within 15 days from the date of the Supplemental Agreement, by when the Company and the Purchaser shall arrange to the Vendors:

1. the balance of the Cash Consideration net of the Adjusted Amount; and
 2. 5,572,909 new Shares at the issue price of HK\$1.375 per Share for the settlement of Rmb7,500,000 (equivalent to approximately HK\$7,662,750) of the Share Consideration.
- * the exchange rate of Rmb/HK\$ is taken at 1.0217 (same as the rate adopted in the Acquisition Announcement) for the purpose of this announcement

By order of the Board
Cheng Chee Tock Theodore
Chairman

Hong Kong, 19 December 2007

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