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

**Discloseable Transactions**  
**Acquisition of Beijing Property and Hong Kong Property for Office Use**

The Board announces that on 9 October 2007:

- (1) the Company, entered into the PRC LOI with the PRC Vendor; and
- (2) the HK Purchaser, a wholly-owned subsidiary of the Company, entered into the HK Agreement with the HK Vendor.

Pursuant to the PRC LOI, the PRC Purchaser, a 100% controlled entity or a wholly owned subsidiary of the Company, shall acquire from the PRC Vendor the PRC Property at the PRC Consideration of RMB62,672,265 or US\$8,281,020 (equivalent to HK\$64,591,956).

Pursuant to the HK Agreement, the HK Purchaser shall acquire from the HK Vendor the HK Interest, which only underlying asset is the HK Property, at the HK Consideration of HK\$53,500,000.

The PRC Vendor, the HK Vendor, and their respective ultimate beneficial owners are third parties which are independent of the Company and the connected persons of the Company as defined under the Listing Rules.

The PRC Property is intended mainly to be self-used as the Beijing office of the Group.

The HK Property will continue to be self-used as the Group’s office.

The entering into each of the PRC LOI and the HK Agreement constitutes a discloseable transaction for the Company under the Listing Rules. A circular containing, inter alia, details of the PRC LOI and the HK Agreement will be dispatched to the shareholders of the Company as soon as practical.

## **INTRODUCTION**

On 9 October, 2007:

- (1) the Company entered into the PRC LOI with the PRC Vendor, pursuant to which the PRC Purchaser, a 100% controlled entity or a wholly owned subsidiary of the Company, shall purchase from the PRC Vendor the PRC Property at the PRC Consideration of a

total of RMB62,672,265 or US\$8,281,020 (equivalent to HK\$64,591,956); and

- (2) the HK Purchaser, a wholly-owned subsidiary of the Company, entered into the HK Agreement with the HK Vendor, pursuant to which the HK Purchaser shall purchase from the HK Vendor the HK Interest, which sole underlying asset is the HK Property, at the HK Consideration of HK\$53,500,000.

## **PRC ACQUISITION**

Date: 9 October 2007

PRC Vendor: CitiRealty China (BVI) Limited, a China real estate holding company and a wholly owned subsidiary of Citigroup, Inc, which and whose ultimate beneficial owners are third parties which are independent of the Company and the connected persons of the Company as defined under the Listing Rules

PRC Purchaser: currently intended to be 北京零度聚陣文化有限公司 Beijing T-Matrix Culture Company Limited, a limited company established in PRC and a 100% controlled entity of the Company, or to be another company established in PRC and being a 100% controlled entity or a wholly owned subsidiary of the Company

Subject to be acquired: the PRC Property, being 16/F Tower 1&2, Bright China Chang An Building, Beijing, PRC (北京市建國門內大街 7 號光華長安大廈 16 樓) with an aggregate gross floor area of 3,764.1 sqm

Additional terms: The PRC Acquisition is subject to the PRC Late Handover and the PRC Lease

## **PRC Late Handover**

The PRC Property is currently used by the PRC Vendor as office premises. Under the PRC LOI, the PRC Vendor is entitled to late handover of the PRC Property to the PRC Purchaser to a date on or before 30 June 2008. The PRC Vendor will have the right to occupy the PRC Property rent free for the period up to 31 March 2008. In the event the handover of the PRC Property is later than 31 March 2008 (but on or before 30 June 2008), the PRC Vendor shall pay a monthly rental of RMB174/sqm, or a total of RMB654,953 (equivalent to HK\$674,602).

## **PRC Lease**

Under the PRC LOI, the PRC Vendor is entitled to lease part of the PRC Property for its continuous use. The terms of the PRC Lease are as follows:

Units and floor area: units 25 and 26 of the premises with a total area of 409.5 sqm

Lease term: 3 years commencing right after the handover under the PRC Late Handover, that is, from a date after PRC Completion and on or prior to 1 July 2008

Rental:	at RMB174/sqm or a total of RMB71,253 (equivalent to HK\$73,391) per month
Rental deposit:	3 months rent
Renewal option:	the PRC Vendor may renew the lease for another 3 years at the then market rent but subject to a cap at a maximum of 15% increase

The renewal right of the PRC Vendor under the PRC Lease may be exercised by the PRC Vendor by not less than 60 days before the expiry of the initial term of the PRC Lease.

### **PRC Consideration**

The PRC Consideration of the PRC Acquisition is based on the unit price of RMB16,650 or US\$2,200/sqm, or a total of RMB62,672,265 or US\$8,281,020 (equivalent to HK\$64,591,956) and is determined between the PRC Vendor and the Company on an arm's length basis. The Company and the PRC Purchaser has paid/ will pay the PRC Consideration in the following manner:-

- (1) on 6 September 2007, the Company paid US\$414,040 (equivalent to HK\$3,229,512), approximately 5% of the PRC Consideration, to the PRC Vendor as an earnest money and as part of the PRC Initial Deposits for the exclusive negotiation of the acquisition of the PRC Property by the Group;
- (2) upon signing of the PRC LOI, the Company paid US\$1,242,120 (equivalent to HK\$9,688,536), approximately 15% of the PRC Consideration, to the PRC Vendor as a further part of the PRC Initial Deposits; and
- (3) within 7 working days from the signing of the PRC Agreement, the PRC Purchaser will pay the entire PRC Consideration in Renminbi of RMB62,672,265 (equivalent to HK\$64,591,956) plus the PRC Management Deposits into the PRC Escrow Account, and the PRC Initial Deposits will be released to the Company.

The PRC Consideration will first be financed by the internal source of funding of the Group. Subsequent to PRC Completion, the Group intends to arrange external mortgage financing for part of the PRC Consideration.

### **PRC Completion**

The PRC Acquisition shall be completed on 17 December 2007 or any other date as the PRC Vendor and the PRC Purchaser may mutually agree. Upon the due transfer of all titles of the PRC Property to the PRC Purchaser, the amount equivalent to the PRC Consideration and the PRC Management Deposits in the PRC Escrow Account will be released to the PRC Vendor while all interest accrued thereon will be released to the PRC Purchaser.

In the event the PRC Acquisition not being completed due to the fault of the Company or the PRC Purchaser, the PRC Vendor shall have the right to forfeit the PRC Initial Deposits or 20% of the PRC Consideration from the PRC Escrow Account (as the case may be) as compensation.

In the event of the PRC Acquisition not being completed due to the fault of the PRC Vendor, the PRC Vendor shall forthwith refund or release to the Company or the PRC Purchaser the PRC Initial Deposits or all amounts in the PRC Escrow Account (as the case may be) together with a penalty equivalent to 20% of the PRC Consideration.

### **PRC Vendor**

The PRC Vendor and its ultimate beneficial owners are third parties which are independent of the Company and the connected persons of the Company as defined under the Listing Rules.

### **HK ACQUISITION**

Date: 9 October 2007

HK Vendor: Beauford Limited, which and whose ultimate beneficial owner are third parties which are independent of the Company and the connected persons of the Company as defined under the Listing Rules, and are independent of the PRC Vendor

HK Purchaser: Highsharp Investments Limited, a wholly-owned subsidiary of the Company

Subject to be acquired: the HK Interest, which only underlying asset is the HK Property (held through its wholly owned subsidiary), being 17/F Silver Base Centre, 200 Gloucester Road, Wanchai, Hong Kong

### **HK Consideration**

The HK Consideration of the HK Acquisition of HK\$53,500,000 is made with reference to the market price, and is determined between the HK Vendor and the HK Purchaser on an arm's length basis. The HK Consideration was/ will be paid in the following manner:-

- (1) 20% of the HK Consideration, being HK\$10,700,000 was paid to the HK Vendor as a deposit upon entering into the HK Agreement;
- (2) the balance of 80% of the HK Consideration of HK\$42,800,000 will be paid to the HK Vendor upon HK Completion.

The HK Consideration will be financed partly by the internal source of funding of the Group and partly by mortgage financing from bank.

### **HK Conditions**

HK Completion of the HK Acquisition shall be subject to, inter alia:-

- (1) the HK Purchaser being satisfied with the due diligence on Mansion Gains and its subsidiary(ies) and the HK Property; and
- (2) the consent of the current mortgagee bank of the HK Property, if required.

If any of the HK Conditions is not fulfilled or waived on or before the date fixed for HK

Completion, or such later date as the HK Vendor and the HK Purchaser may mutually agree, the HK Agreement shall lapse and all monies paid by the HK Purchaser to the HK Vendor under the HK Agreement shall be refunded forthwith.

### **HK Completion**

The HK Acquisition, subject to the HK Conditions, shall be completed on 30 November 2007 or any other date as the HK Vendor and the HK Purchaser may mutually agree.

In the event the HK Acquisition not being completed due to the fault of the HK Purchaser, the HK Vendor shall have the right to forfeit the deposit of the HK Consideration having been paid by the HK Purchaser.

In the event of the HK Acquisition not being completed due to the fault of the HK Vendor, the HK Vendor shall forthwith refund to the HK Purchaser all monies having been paid by the HK Purchaser together with a penalty equivalent to the refund amount.

### **HK Vendor and Mansion Gains**

The HK Vendor is an investment holding company, and its ultimate beneficial owner are third parties which are independent of the Company and the connected persons of the Company as defined under the Listing Rules. The HK Vendor is the sole shareholder of Mansion Gains.

Mansion Gains is a limited company incorporated in the British Virgin Islands. Its only investment is the wholly-owned interest in a subsidiary incorporated in Hong Kong whose sole underlying operation and asset is the holding of the HK Property.

### **PURPOSE OF THE PRC ACQUISITION AND THE HK ACQUISITION**

The principal activity of the Group is acting as an interactive media entertainment company. The core business operation of the Group is the operation of an online game platform in China across various provinces with one of the major presences in Beijing.

Currently, the Group has various subsidiaries and operations in Beijing including (a) C Y Foundation Culture Company Limited 中青基業文化有限公司, and (b) 北京零度聚陣文化有限公司 Beijing T-Matrix Culture Company Limited (the intended PRC Purchaser), business of both of which were announced by the Company in their announcements dated 8 March 2007 and 6 June 2007. The operation of these two subsidiary groups is mainly hosting, organizing and coordinating online games and tournaments, as well as the franchising of internet cafés and entertainment centres.

Currently, both the Beijing office and the Hong Kong office of the Group are on a lease basis. The PRC Property will be mainly used as the new Beijing principal office of the Group. The HK Property will continue to be used as the Hong Kong principal office of the Group. With these acquisitions, the Group is able to establish its permanent basis in Beijing and Hong Kong. In view of the Group's heavy operations in Beijing and Hong Kong and the increasing value of property in Beijing and Hong Kong, the Board concluded self-owned office space is more cost-efficient than leased office premises in these two territories.

The Directors consider the terms of the PRC Acquisition and the HK Acquisition fair and reasonable and in the interest of the Group and the shareholders of the Company as a whole.

## **GENERAL**

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

## **DEFINITIONS**

“Board”	the board of Directors
“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
“Group”	the Company and its subsidiaries
“HK Acquisition”	acquisition by the HK Purchaser of the HK Interest pursuant and subject to the terms and conditions of the HK Agreement
“HK Agreement”	the formal sale and purchase agreement entered into between the HK Vendor and the HK Purchaser on 9 October 2007 for the sale and purchase of the HK Property
“HK Completion”	completion of the HK Acquisition
“HK Conditions”	all the conditions precedent for the completion of the HK Acquisition as set out in the section headed “HK Conditions” in this announcement
“HK Consideration”	consideration for the HK Acquisition, being HK\$53,500,000
“HK Interest”	the entire issued share capital of and the entire shareholder’s loan advanced to Mansion Gains
“HK Property”	17/F Silver Base Centre, 200 Gloucester Road, Wanchai, Hong Kong
“HK Purchaser”	Highsharp Investments Limited, a wholly-owned subsidiary of the Company
“HK Vendor”	Beauford Limited, which and whose ultimate beneficial owner are third parties which 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 SEHK

“Mansion Gains”	Mansion Gains Holdings Limited, a company incorporated in the British Virgin Islands and its only investment is the wholly-owned interest in a subsidiary incorporated in Hong Kong whose sole underlying operation and asset is the holding of the HK Property
“PRC”	the People’s Republic of China
“PRC Acquisition”	acquisition by the PRC Purchaser of the PRC Property pursuant and subject to the terms and conditions of the PRC LOI and the subsequent PRC Agreement
“PRC Agreement”	the formal sale and purchase agreement scheduled to be entered into on 29 October 2007 (or any other date the PRC Vendor and the PRC Purchaser may mutually agree) between the PRC Vendor and the PRC Purchaser for the PRC Acquisition
“PRC Completion”	completion of the PRC Acquisition
“PRC Consideration”	consideration for the PRC Acquisition being at RMB16,650 or US\$2,200/sqm, or a total of RMB62,672,265 or US\$8,281,020 (equivalent to HK\$64,591,956)
“PRC Escrow Account”	the interest bearing escrow account to be opened to keep the full amount of the PRC Consideration and the PRC Management Deposits to be paid by the PRC Purchaser after signing of the PRC Agreement
“PRC Initial Deposits”	the deposits of approximately 20% of the PRC Consideration having been paid by the Company to the PRC Vendor on or before the signing of the PRC LOI
“PRC Late Handover”	the late handover of the PRC Property by the PRC Vendor to the PRC Purchaser at major terms set out in the section headed “PRC Late Handover” in this announcement
“PRC Lease”	a possible lease back of part of the PRC Property between the PRC Vendor and the PRC Purchaser after PRC Completion, which major terms are set out in the section headed “PRC Lease” in this announcement
“PRC LOI”	the binding letter of intent entered into between the PRC Vendor and the Company on 9 October 2007 for the sale and purchase of the PRC Property
“PRC Management Deposits”	the various deposits in relation to the management fee and utility(ies) of the PRC Property which had been paid by the PRC Vendor and are currently registered in the name of the PRC Vendor and are intended to be transferred to the PRC Purchaser upon PRC Completion

“PRC Property”	16/F Tower 1&2, Bright China Chang An Building, Beijing, PRC(北京市建國門內大街7號光華長安大廈16樓)with an aggregate gross floor area of 3,764.1 sqm
“PRC Purchaser”	currently intended to be 北京零度聚陣文化有限公司 Beijing T-Matrix Culture Company Limited, a limited company established in PRC and a 100% controlled entity of the Company, or to be another company established in PRC and being a 100% controlled entity or a wholly owned subsidiary of the Company
“PRC Vendor”	CitiRealty China (BVI) Limited, which and whose ultimate beneficial owners are third parties which are independent of the Company and the connected persons of the Company as defined under the Listing Rules
“HK\$”	Hong Kong dollar(s), the lawyer currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollar(s), the lawyer currency of the United States
“sqm”	square meter(s)

\* the exchange rate of US\$/HK\$ and RMB/HK\$ are respectively taken at 7.80 and approximately 1.03 for the purpose of this announcement

By order of the Board  
**Cheng Chee Tock Theodore**  
*Chairman*

Hong Kong, 9 October 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 (CEO); 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.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.