



# FOUNDATION GROUP LIMITED

## 基業控股有限公司\*

(Incorporated in Bermuda with limited liability)  
(Stock Code: 1182)

### TRANSFER OF SHARES BY LUCK CONTINENT LIMITED TO CORNERSTONE INVESTOR PLACING AND SUBSCRIPTION OF SHARES RESUMPTION OF TRADING IN SHARES

Placing Agent  
**UOB Kay Hian (Hong Kong) Limited**

On 13 March 2007, Luck Continent entered into an agreement to transfer 53,750,000 Shares to the Cornerstone Investor at a selling price of HK\$1.09 per Share for an aggregate consideration of US\$7,500,000.

The Directors announce that both the Placing Agreement and the Subscription Agreement were entered into on 13 March 2007. The Placing Agreement and the Subscription Agreement were supplemented respectively by side letters entered into between the respective parties on 21 March 2007. Pursuant to the Placing Agreement, the Placing Agents have agreed to place up to 900,000,000 existing Shares owned by Luck Continent to independent placees at the Placing Price. The Placing is made on a best effort basis. Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue to Luck Continent up to 600,000,000 new Shares at the Placing Price subject to, inter alia, completion of the Placing, the granting of the listing of, and permission to deal in the new Shares by the Listing Committee, as well as the approval of the Independent Shareholders of the Subscription Agreement.

The SGM will be convened and held for the purpose of considering and, if thought fit, approve, the Subscription Agreement and the grant of a special mandate to satisfy the allotment and issue of the Subscription Shares. Luck Continent will abstain from voting from the relevant resolution approving the grant of the special mandate.

The Placing was completed on 20 March 2007, the interest of Luck Continent and parties acting in concert with it in the issued share capital of the Company was reduced from about 97.17% to about 68.02%, such interest will then be increased to about 73.22% after completion of the Subscription.

Assuming the maximum number of Shares are placed and subscribed, the net proceeds of the Subscription is expected to be not less than HK\$720 million, of which it is expected that no less than HK\$650 million will be used to finance the Company's plan to expand into on-line game and electronic tournament game market in the PRC (of which the equivalent of the aggregate of US\$1.3 million and RMB8 million will be used for the capital contribution as set out in the Company's Announcement dated 8 March 2007) and the remaining balance will be used for general working capital of the Group.

Trading in the Shares on the Stock Exchange has been suspended since 9:30am on 27 February 2007 at the request of the Company. The Company has submitted an application to the Stock Exchange for the resumption of trading of the Shares at 9:30am on 22 March 2007.

#### TRANSFER OF SHARES BY LUCK CONTINENT

##### 1. The Transfer

On 13 March 2007, Luck Continent entered into an agreement to transfer 53,750,000 Shares to the Cornerstone Investor at a selling price of HK\$1.09 per Share for an aggregate consideration of US\$7,500,000. Completion of the Transfer is conditional upon (i) the Placing Completion having occurred not later than 25 March 2007 and (ii) the consent from the JV Partner on the software and gaming platform to be provided by the Cornerstone Investor being obtained no later than 22 March 2007. As at the date of this announcement, the condition regarding the Placing Completion have been fulfilled. The Sale Shares represent approximately 1.74% of the existing issued share capital of the Company and approximately 1.46% of the issued share capital of the Company as enlarged by the Subscription.

##### 2. Selling Price and Lock up

HK\$1.09 per Share, i.e., being the Selling Price, represents (i) a discount of approximately 56.40% to the closing price of HK\$2.5 per Share on 26 February 2007, being the last trading day immediately before the date of this announcement; (ii) a discount of approximately 51.08% to the average closing price per Share of approximately HK\$2.228 as quoted on the Stock Exchange for the last 5 trading days immediately prior to and including 26 February 2007; and (iii) a discount of approximately 46.96% to the average of the closing price per Share of approximately HK\$2.055 as quoted on the Stock Exchange for the last 10 trading days immediately prior to and including 26 February 2007; and (iv) a discount of approximately 14.84 % to the Placing Price.

Pursuant to the Transfer Agreement, the Cornerstone Investor has undertaken and covenanted with Luck Continent and the Company that it shall not in a period of 6 months from the date of the completion of the Transfer (i) dispose of or create any rights to dispose of any Shares held by it or its associates, nominees or trustees; and (ii) dispose of any interest in any shares in any company controlled by it which is directly or indirectly the beneficial owner of any Shares.

##### 3. Information about the Cornerstone Investor

The Cornerstone Investor is a limited liability company incorporated in the British Virgin Islands and is wholly-owned by Playtech Limited, the shares of which is listed on the AIM market of the London Stock Exchange. On 8 March 2007, the Cornerstone Investor has entered into a framework license agreement with the Company, pursuant to which the Cornerstone Investor proposes to grant to the Company a licence to install, use or sub-license throughout the PRC of certain interactive gaming platform and software (including any updates thereto) for ten years for a license fee calculated at 10 per cent of the games tournament revenue of the Group. Save as disclosed above, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, neither the Cornerstone Investor nor its beneficial owners are parties connected with or acting in concert with the substantial shareholder, chief executive and/or directors of the Company and of its subsidiaries and their respective associates as defined in the Listing Rules.

## PLACING AGREEMENT

**Date:** 13 March 2007 (as supplemented by a side letter dated 21 March 2007)

**Parties:** (1) Luck Continent  
(2) Placing Agent  
(3) Note Subscribers

## THE PLACING

### 1. Placing of Existing Share

900,000,000 Shares, representing about 29.15% of the existing issued share capital of the Company and about 24.41% of the issued share capital of the Company as enlarged by the Subscription.

### 2. Placing Price

HK\$1.28 per Share. The Placing Price was arrived at after arm's length negotiation.

HK\$1.28 per Share, i.e., being the Placing Price, represents (i) a discount of approximately 48.80% to the closing price of HK\$2.5 per Share on 26 February 2007, being the last trading day immediately before the date of the Placing Agreement; (ii) a discount of approximately 42.55% to the average closing price per Share of approximately HK\$2.228 as quoted on the Stock Exchange for the last 5 trading days immediately prior to and including 26 February 2007; and (iii) a discount of approximately 37.71% to the average of the closing price per Share of approximately HK\$2.055 as quoted on the Stock Exchange for the last 10 trading days immediately prior to and including 26 February 2007.

The Directors consider that based on the market price of the Shares, the Placing Price and the terms and conditions of the Placing Agreement are fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

### 3. Placees

The Placing is made on a best effort basis. The Placing Agent has confirmed that the Placing Shares have been placed to 6 or more placees, who are individual, corporate and/or professional investors. The Placing Agent and the placees and their respective beneficial owners are third parties independent of and not connected with Luck Continent or any of the directors, chief executive or substantial shareholders of the Company, any of its subsidiaries or any of its and their respective associates (as defined under the Listing Rules).

### 4. Completion of the Placing

Completion of the Placing has been taken place on 20 March 2007, the Placing Shares have been placed to the relevant transferee and that the total consideration of the Placing Share has been received by Luck Continent.

### 5. Undertaking of Luck Continent and the Note Subscribers

Luck Continent has undertaken and covenanted with the Placing Agent that it shall not in the period of 6 months from the date of the Placing Completion (i) dispose of or create any rights to dispose of any Shares held by it or its associates, nominees or trustees; and (ii) dispose of any interest in any shares in any company controlled by it which is directly or indirectly the beneficial owner of any Shares.

Reference is made to the announcement of the Company dated 22 December 2006 in relation to an issue of a redeemable convertible note in the principal amount of HK\$24,000,000 by the Company. Each of the Note Subscribers has undertaken and covenanted with the Placing Agent that it shall not in the period of 6 months from the date of Placing Completion (i) dispose of or create any rights to dispose of any note convertible into Shares held by it or its associates, nominees or trustees; and (ii) dispose of any interest in any shares in any company controlled by it which is directly or indirectly the beneficial owner of any note convertible into Shares or any Shares.

### 6. First Right of Refusal

In the period of 6 months commencing the end of 6 months after the Placing Completion, if Luck Continent or the Note Subscribers or any of their respective associates, nominees or trustees holding the Shares in trust for it wish to dispose of or create any rights to dispose to any party other than the Placing Agent of any Shares held by it or its associates, nominees or trustees as at the date of Placing Completion, the disposal of such Shares will be subject to a first right of refusal in favour of the Placing Agent unless such proposed transferee has agreed in writing to give the Placing Agent such first right of refusal in respect of its subsequent transfer of Shares.

## SUBSCRIPTION AGREEMENT

**Date:** 13 March 2007 (as supplemented by a side letter dated 21 March 2007)

**Parties:** (1) The Company  
(2) Luck Continent

## THE SUBSCRIPTION

### 1. Subscription of New Shares

Up to 600,000,000 new Shares, being the lower of (i) the same number of Shares which the Placing Agent has procured placees for Luck Continent under the Placing; and (ii) 600,000,000 Shares. The maximum of 600,000,000 new Shares represent about 19.43% of the existing issued share capital of the Company and about 16.27% of the issued share capital of the Company as enlarged by the Subscription.

### 2. Subscription price and consideration

HK\$1.28 per Share, being the same price as the Placing Price. The aggregate consideration of the Subscription Shares will be HK\$768 million.

### 3. Ranking of the new Shares

The new Shares, when fully paid, will rank pari passu in all respects with all the existing Shares in issue as at the date of issue of the new Shares.

Application will be made to the Listing Committee of the Stock Exchange seeking approval for the listing of, and permission to deal in the new Shares to be issued under the Subscription Agreement.

### 4. Conditions and completion of the Subscription

Completion of the Subscription is conditional upon:

- the Placing Completion having occurred;
- the Stock Exchange confirming in writing that they have no further comment on this announcement and the issue of this announcement;
- the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in the new Shares;
- the passing by the Independent Shareholders at general meeting an ordinary resolution approving the Subscription Agreement, the grant of the special mandate to satisfy the allotment and issue of the Subscription Shares and other transactions contemplated thereunder by way of poll.

Completion of the Subscription will take place within 2 business days after the fulfillment of all conditions listed above and is expected to take place on a date after 14 days from the date of the Placing Agreement.

## 5. SGM

Luck Continent is a substantial shareholder of the Company and is regarded as a connected person of the Company as defined under Chapter 14A of the Listing Rules. The Subscription therefore constitutes a connected transaction and is subject to the requirements of reporting, announcement and independent shareholders' approval under Chapter 14A of the Listing Rules. Since the Subscription Price also represents a discount of more than 20% to the closing price of the Share on the last trading day immediately before the date of the Placing Agreement and the average closing price per Share as quoted on the Stock Exchange for the last 5 trading days immediately prior to and including the last trading day immediately before the date of the Placing Agreement, the Company proposes to seek the grant of a special mandate from the Independent Shareholders to satisfy the allotment and issue of the Subscription Shares. The SGM will be convened and held for the purpose of considering and, if thought fit, approve, the Subscription Agreement and the grant of a special mandate to satisfy the allotment and issue of the Subscription Shares. Luck Continent will abstain from voting from the relevant resolutions in the SGM.

A circular of the Company containing, amongst other, details of the Subscription Agreement, a letter from an independent financial adviser, a letter from the independent board committee, together with a notice convening the SGM will be dispatched to the Shareholders as soon as practicable.

### EFFECTS OF THE PLACING, THE SUBSCRIPTION AND THE TRANSFER

The effects of the shareholding structure of the Company pursuant to the Placing, the Subscription and the Transfer are as follows (assuming the maximum number of 600,000,000 new Shares are subscribed):

Shareholders	Immediately Before Placing		Immediately after Placing Completion but before Subscription		Immediately after Placing Completion and Subscription		Immediately after Placing Completion, Subscription and Transfer	
	No. of Shares held	% of issued Shares held	No. of Shares held	% of issued Shares held	No. of Shares held	% of issued Shares held	No. of Shares held	% of issued Shares held
Luck Continent (Note 1)	3,000,014,127	97.17%	2,100,014,127	68.02%	2,700,014,127	73.22%	2,646,264,127	71.76%
Cornerstone Investor	0	0%	0	0%	0	0%	53,750,000	1.46%
Other public Shareholders	87,407,525	2.83%	987,407,525	31.98%	987,407,525	26.77%	987,407,525	26.77%
<b>Total</b>	<b>3,087,421,652</b>	<b>100</b>	<b>3,087,421,652</b>	<b>100</b>	<b>3,687,421,652</b>	<b>100</b>	<b>3,687,421,652</b>	<b>100</b>

Note (1): The entire issued share capital of Luck Continent is held by Mr. Poh Po Lian, an executive Director.

### REASONS FOR THE PLACING AND SUBSCRIPTION

Reference is made to the announcement of the Company dated 26 February 2007, the trading of the Shares has remained suspended since 27 February 2007 pending the restoration of public float. The Board considers that the Placing would help the Company to restore the 25% public float as required under the Listing Rules. In addition, the Placing and the Subscription will enlarge the Company's capital base, strengthen the Group's financial position and provide immediate additional funding to the Company to deploy its business plan. The Board considers the terms of the Placing are in the interest of the Company and its shareholders as a whole and are fair and reasonable. The Board (excluding the independent non-executive Directors whose views will be subject to the opinion of an independent financial adviser on the transactions under the Subscription) considers the terms of the Subscription (including the Subscription Price) are in the interest of the Company and its shareholders as a whole and are fair and reasonable.

The Placing Price and the Subscription Price were determined after arm's length negotiations between the Company, Luck Continent and the Placing Agent, and the Directors consider that the Placing Price is fair and reasonable.

### USE OF PROCEEDS

All the commission, cost incurred in relation to the Placing and Subscription, which is expected to be approximately HK\$63 million, will be borne by the Company and Luck Continent on a pro-rata basis and the interest accrued on the net proceeds of the Placing of such number of Shares equal to the number of Subscription Shares from the date of completion of Placing to the date of completion of the Subscription will be for the benefit of the Company.

Assuming the maximum number of Shares are placed and subscribed, the net proceeds of the Subscription is expected to be not less than HK\$720 million, of which it is expected that no less than HK\$650 million will be used to finance the Company's plan to expand into on-line game and electronic tournament game market in the PRC (of which the equivalent of the aggregate of US\$1.3 million and RMB8 million will be used for the capital contribution as set out in the Company's announcement dated 8 March 2007) and be applied to the Company and/or its wholly-owned subsidiaries and the remaining balance will be used for general working capital of the Group. Details of the HK\$650 million (except the equivalent of the said US\$1.3 million and RMB8 million), including the time of application and mode of application have yet been determined. Accordingly, the net placing price per Share is approximately HK\$1.20.

### EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE-MONTH PERIOD

Date of announcement	Event	Counterparty	Discount/premium to the market price	Net proceeds (approximate)	Intended use of proceeds (approximate)	Actual use of proceeds as at the date of this announcement (approximate)
22 December 2006	Shares and Warrant issue whereby Luck Continent agreed to subscribe for (i) 3,000,000,000 Shares at a price of HK\$0.01 each; and (ii) the warrant conferring rights to subscribe up to HK\$6,000,000 in aggregate in cash for Shares at an initial exercise price of HK\$0.01 per Share (subject to adjustments)	Luck Continent	The subscription price of HK\$0.01 and the initial exercise price of HK\$0.01 represent a discount of approximately 99.6% to the closing price of HK\$2.5 per Share as quoted on the Stock Exchange on 26 February 2007	Approximately HK\$30 million from the Shares and Warrant issue. Approximately HK\$6 million from subscription of Shares by exercise of the Warrant	General working capital	General working capital. As at the date of this announcement, no Warrant has yet been exercised
22 December 2006	Convertible bond issue whereby Super Bonus Management Limited agreed to subscribe for convertible bonds with the principal amount of approximately HK\$24,000,000	Super Bonus Management Limited	The conversion price of HK\$0.01 represents a discount of approximately 99.6% to the closing price of HK\$2.5 per Share as quoted on the Stock Exchange on 26 February 2007	Approximately HK\$24 million	General working capital	General working capital. The total outstanding principal amount under the convertible bond is approximately HK\$24,000,000. As at the date of this announcement, no convertible bond has yet been converted

## GENERAL

The Group is engaged in the business of apparel trading, securities trading and on-line gaming business. Trading in the Shares on the Stock Exchange has been suspended since 9:30am on 27 February 2007 at the request of the Company. The Company has submitted an application to the Stock Exchange for the resumption of trading of the Shares at 9:30am on 22 March 2007.

As at the date of this announcement, the executive Directors of the Company are Mr. Lim Direk, Mr. Poh Po Lian and Mr. Cheng Chee Tock, Theodore (*the Chairman*) and the independent non-executive Directors of the Company are Mr. Chu Kar Wing, Dr. Chow King Wai and Mr. Tang Yiu Wing.

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Company”	Foundation Group Limited, a company incorporated in Bermuda, the Shares of which are listed on the Main Board of the Stock Exchange
“Cornerstone Investor”	Playtech Software Limited, a limited liability company incorporated in the British Virgin Islands and is wholly owned by Playtech Limited, the shares of which are listed on the AIM market of the London Stock Exchange
“Director(s)”	the director(s) of the Company
“Group”	the Company together with its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Shareholders”	Shareholders other than Luck Continent and its associates
“JV Partner”	共青團中央網絡影視中心 (Network Movie Centre of the Central Committee of the Communist Youth League of China), an institutional unit legal person duly established and validly existing under the laws of the PRC as more particularly described in the announcement of the Company dated 8 March 2007
“Luck Continent”	Luck Continent Limited, a company incorporated in the British Virgin Islands, a substantial shareholder of the Company
“Listing Committee”	has the meaning ascribed to such term in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Note Subscribers”	Super Bonus Management Limited and Copernicus Trading Limited, both are limited liability company incorporated in the British Virgin Islands and are wholly-owned by Mr. Cheng Chee Tock, Theodore
“Placing”	the placing of up to 900,000,000 existing Shares by the Placing Agent pursuant to the Placing Agreement
“Placing Agent”	UOB Kay Hian (Hong Kong) Limited, a corporation licensed to carry on types 1, 4 and 6 of the regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	a placing agreement entered into among Luck Continent, the Note Subscribers and the Placing Agent dated 13 March 2007 in relation to the Placing and as supplemented by a side letter dated 21 March 2007
“Placing Completion”	Completion of the Placing
“Placing Price”	HK\$1.28 per Share
“Placing Shares”	up to 900,000,000 Shares that have been placed by the Placing Agent pursuant to the Placing Agreement
“SGM”	a special general meeting of the Company to be convened to approve, inter alia, the Subscription Agreement and the grant of a special mandate to satisfy the allotment and issue of the Subscription Shares
“Selling Price”	HK\$1.09 per Share
“Share(s)”	share(s) of HK\$0.001 each in the share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Sale Shares”	the 53,750,000 Shares to be transferred from Luck Continent to the Cornerstone Investor pursuant to the Transfer Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription for the Subscription Shares pursuant to the Subscription Agreement
“Subscription Agreement”	a conditional subscription agreement between the Company and Luck Continent dated 13 March 2007 in relation to the Subscription and as supplemented by a side letter dated 21 March 2007
“Subscription Shares”	the Shares to be issued pursuant to the Subscription Agreement, being the lower of (i) the number of Shares which the Placing Agent has procured placees for Luck Continent pursuant to the Placing Agreement; and (ii) 600,000,000 Shares
“Transfer”	the proposed transfer of the Sale Shares from Luck Continent to the Cornerstone Investor at the Selling Price
“Transfer Agreement”	a sale and purchase agreement entered into among Luck Continent, the Cornerstone Investor and the Company dated 13 March 2007 in relation to the Transfer
“%”	per cent.

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

Hong Kong, 21 March 2007

\* For identification purposes only

Please also refer to the published version of this announcement in South China Morning Post - Business.