

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 the securities of the Company.



TEEM FOUNDATION GROUP LTD.

(浩 基 集 團 有 限 公 司)*

(Incorporated in Bermuda with limited liability)
(Stock Code: 628)

PLACING OF EXISTING SHARES
SUBSCRIPTION FOR NEW SHARES
AND
RESUMPTION OF TRADING

On 19 July 2007, the Vendor entered into the Placing Agreement and the Subscription Agreement with the Placing Agent and the Company respectively. Pursuant to the Placing Agreement, the Placing Agent agreed to place, on a best effort basis, an aggregate of 161,280,000 existing Shares at a price of HK\$2.65 per Placing Share. Pursuant to the Subscription Agreement, the Vendor conditionally agreed to subscribe for the Subscription Shares at a price of HK\$2.65 per Subscription Share.

The Placing Price of HK\$2.65 represents (i) a discount of approximately 11.1% to the closing price of HK\$2.98 per Share as quoted on the Stock Exchange on the Last Trading Date; (ii) a discount of approximately 10.2% to the average closing price per Share of approximately HK\$2.95 as quoted on the Stock Exchange for the last five consecutive trading days prior to the date of this announcement; and (iii) a discount of approximately 9.99% to the average closing price per Share of approximately HK\$2.944 as quoted on the Stock Exchange for the last ten consecutive trading days prior to the date of this announcement.

The Placing Shares represent (i) approximately 16.75% of the existing issued share capital of the Company of 962,760,000 Shares as at the date of this announcement; and (ii) approximately 14.35% of the issued share capital of the Company of 1,124,040,000 Shares as enlarged by the Subscription.

The Subscription Agreement is conditional upon (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares; (ii) completion of the Placing Agreement; (iii) the Company obtaining all consents and approvals from the relevant authorities, if applicable, to allot and issue the Subscription Shares.

The gross proceeds from the Subscription will be approximately HK\$427.4 million. The net proceeds from the Subscription will be approximately HK\$419.3 million. It is intended that if the Possible Acquisition eventuates, the proceeds will be used to fund the consideration for the Possible Acquisition with the balance be used for general working capital of the Group. Otherwise, the entire proceeds will be used for general working capital of the Group.

At the request of the Company, trading of Shares on the Stock Exchange has been suspended from 11:04 a.m. on 19 July 2007 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading of Shares on the Stock Exchange from 9:30 a.m. on 20 July 2007.

THE PLACING AGREEMENT

Date

19 July 2007

Parties Involved

The Placing Agent, the Company and the Vendor

Placing Agent

The Placing Agent will receive a placing commission of 1.5% on the gross proceeds of the Placing, which was arrived at after arm’s length negotiation between the Company and the Placing Agent with reference to the market rate.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are independent of and not connected with (i) the Vendor and its associates; and (ii) the Company and its associates and connected persons.

Placees

The Placing Agent agreed to place the Placing Shares on a best effort basis, to not less than six Placees who and whose ultimate beneficial owners will be third parties independent of (i) the Vendor and its associates; and (ii) the Company and its associates and connected persons. Immediately after the completion of the Placing, none of the Placees will become a substantial Shareholder.

Placing Price

The Placing Price of HK\$2.65 represents:

- (i) a discount of approximately 11.1% to the closing price of HK\$2.98 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (ii) a discount of approximately 10.2% to the average closing price per Share of approximately HK\$2.95 as quoted on the Stock Exchange for the last five consecutive trading days prior to the date of this announcement; and
- (iii) a discount of approximately 9.99% to the average closing price per Share of approximately HK\$2.944 as quoted on the Stock Exchange for the last ten consecutive trading days prior to the date of this announcement.

The Placing Price was determined with reference to the prevailing market price of the Shares and was negotiated on an arm’s length basis between the Company and the Placing Agent. The Directors (including the independent non-executive Directors) consider that the terms of the Placing, including the placing commission, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The net Placing Price, after deduction of placing commission and all other fees and expenses, is approximately HK\$2.60.

The Placing Shares

The Placing Shares represent (i) approximately 16.75% of the existing issued share capital of the Company of 962,760,000 Shares as at the date of this announcement; and (ii) approximately 14.35% of the issued share capital of the Company of 1,124,040,000 Shares as enlarged by the Subscription.

Rights

The Placing Shares were sold free from any liens, charges, encumbrances, claims, options or third-party rights and together with all rights attaching thereto at the date of the Placing Agreement.

Ranking of the Placing Shares

The Placing Shares rank *pari passu* among themselves and with Shares in issue as at the date of this announcement.

Lock-up:

- (a) The Vendor has undertaken to the Placing Agent that (except for the sale of the Placing Shares pursuant to the Placing Agreement) from the date of the Placing Agreement and on or prior to the date being three months after the date of the Placing Agreement it will not and will procure that none of its nominees and companies controlled by it (whether individually or together and whether directly or indirectly) will (without the prior written consent of the Placing Agent) (i) offer, issue, sell, contract to sell, sell any contract to purchase, purchase any option to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares (excluding the Placing Shares) or any interests therein or any securities convertible into or exercisable or exchangeable for any such Shares or interests; or (ii) enter into any swap or similar

agreement that transfers, in whole or in part, the economic risk of ownership of such Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above.

- (b) The Company has undertaken to the Placing Agent that (except for (i) the Subscription Shares to be allotted and issued under the Subscription Agreement; (ii) any Shares or other securities or rights issued or granted to Shareholders by way of bonus or under any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on Shares in accordance with its bye-laws or on the exercise of any rights existing at the date of the Placing Agreement; (iii) any new Shares issuable upon the bondholder exercising the conversion right under the 5 per cent. 10-year convertible bond of a face value of HK\$134.4 million issued by the Company on 4 January 2007; (iv) any new Shares or any securities or instruments convertible or exercisable or exchangeable into Shares which the Company may agree to issue and allot as consideration under the formal sale and purchase agreement dated 27 February 2007 in respect of the acquisition of the entire issued share capital of Richsense Limited; and (vi) any Shares to be allotted and issued upon exercise of options granted by the Company under the share option scheme adopted by the Company on 6 July 2002) from the date of the Placing Agreement and on and prior to the date being three months after the date of the Placing Agreement it will not (without the prior written consent of the Placing Agent) (i) allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares or any securities convertible into or exercisable or exchangeable for any Shares or interest in Shares or (ii) agree (conditionally or unconditionally) to enter into or effect any such transaction described in (i) above or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above.

Consent

For the purposes of Clause 8.1(a) of the placing agreement dated 14 February 2007 entered into among the Company, the Vendor and the Placing Agent, the Placing Agent granted its consent to the Vendor and the Company to enter into the Placing Agreement and the Subscription Agreement and to undertake and implement the transactions contemplated thereunder.

Conditions

The obligation of the Placing Agent to proceed to completion of the Placing Agreement is conditional upon the following conditions:

- (a) the Subscription Agreement having been entered into by the parties to that agreement and not subsequently having been revoked, terminated or modified;
- (b) dealings in the Shares on the Stock Exchange resuming (following suspension on 19 July 2007) no later than 26 July 2007 and, subsequent thereto, listing of or dealings in any of the Shares on the Stock Exchange not having been suspended at any time prior to Completion (other than as a result of clearing this announcement);
- (c) there not having come to the attention of the Placing Agent at any time prior to Completion (i) any material breach of, or any event rendering untrue or incorrect in any material respect, any of the representations, warranties or undertakings given by the Company and the Vendor under the Placing Agreement or (ii) any breach of, or failure to perform, any of the other obligations of the Company or the Vendor which are required to be performed at or before the completion of the Placing;
- (d) there not having occurred and come to the attention of the Placing Agent at any time prior to the completion of the Placing (i) any suspension or limitation of trading in securities generally on the Stock Exchange or the New York Stock Exchange or the establishment of minimum prices on the Stock Exchange or the New York Stock Exchange or (ii) the declaration of a banking moratorium in Hong Kong or by Federal or New York State authorities in the United States of America (iii) any change in local or international financial, political, military, economic or market (including stock market) conditions or currency exchange rates or exchange controls including, without limitation, any outbreak or escalation of hostilities, declaration by the United States of America of a national emergency or war or other calamity or crisis or (iv) any adverse announcement, determination or ruling of any governmental or other regulatory body (including delay in approval of this announcement or any other relevant announcement by any relevant stock exchange), which (or the effect of which) would (in any case mentioned in (ii), (iii) or (iv) above), in the sole judgment of the Placing Agent, make it impracticable or inadvisable to proceed with the Placing; and

* For identification purpose only

- (e) there not having occurred (i) any event, or series of events, beyond the reasonable control of the Placing Agent (including, without limitation, acts of government, strikes, labour disputes, lock-outs, fire, explosion, flooding, civil commotion, economic sanctions, epidemic, terrorism and acts of God) or (ii) any material adverse change, or development (including, without limitation, the introduction of any new law or regulation or change in existing laws or regulations (or the judicial interpretation thereof) or any other similar event) (whether or not permanent) involving a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company or the Group as a whole, whether or not arising in the ordinary course of business, which, in the sole judgment of the Placing Agent, make it impracticable or inadvisable to proceed with the Placing.

The above conditions may be waived by the Placing Agent.

Completion

The Placing Agreement is expected to complete on or before 24 July 2007 or such other date as agreed by the Vendor and the Placing Agent.

THE SUBSCRIPTION AGREEMENT

Date
19 July 2007

Parties Involved

The Company and the Vendor

The Subscription Price

The Subscription Price is HK\$2.65 per Subscription Share, which is equivalent to the Placing Price. The Subscription Price represents:

- (i) a discount of approximately 11.1% to the closing price of HK\$2.98 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (ii) a discount of approximately 10.2% to the average closing price per Share of approximately HK\$2.95 as quoted on the Stock Exchange for the last five consecutive trading days prior to the date of this announcement; and
- (iii) a discount of approximately 9.99% to the average closing price per Share of approximately HK\$2.944 as quoted on the Stock Exchange for the last ten consecutive trading days prior to the date of this announcement.

The Subscription Price was determined after arm’s length negotiation between the Company and the Vendor with reference to market practice and business terms.

The net Subscription Price, after deduction of fees and expenses, is approximately HK\$2.60.

Number of Subscription Shares

The number of Subscription Shares is equivalent to the number of Placing Shares, representing (i) approximately 16.75% of the existing issued share capital of the Company of 962,760,000 Shares as at the date of this announcement; and (ii) approximately 14.35% of the issued share capital of the Company of 1,124,040,000 Shares as enlarged by the Subscription.

Ranking of the Subscription Shares

The Subscription Shares, when issued and fully paid, will rank pari passu among themselves and with Shares in issue at the time of issue and allotment of the Subscription Shares.

The Subscription Shares

The Subscription Shares will be issued under the General Mandate to allot, issue and deal with Shares granted to the Directors by resolution of the Shareholders passed at the SGM which authorised the Directors to allot and issue a maximum of 161,280,000 Shares. Up to the date of this announcement, no Shares has been issued under the General Mandate and the total number of new Shares that can be allotted and issued under the General Mandate is therefore 161,280,000 Shares.

Conditions of the Subscription Agreement

The Subscription Agreement is conditional upon:

- (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares;
- (ii) completion of the Placing Agreement; and
- (iii) the Company obtaining all consents and approvals from the relevant authorities, if applicable, to allot and issue the Subscription Shares.

Completion

Under Rule 14A.31(3)(d) of the Listing Rules, the Subscription must be completed within 14 days from the date of the Placing Agreement, that is, on or before 2 August 2007.

In the event that the conditions to the Subscription Agreement are not fulfilled by 2 August 2007, the Subscription Agreement shall terminate unless the Company and the Vendor elect, subject to compliance with all requirements in relation to connected transaction under the Listing Rules (including the Shareholder’s approval) to postpone completion of the Subscription to a later date to be agreed between the Company and the Vendor.

REASONS FOR AND BENEFITS OF THE PLACING AND THE SUBSCRIPTION AND USE OF PROCEEDS

The gross proceeds from the Subscription will be approximately HK\$427.4 million. The net proceeds from the Subscription will be approximately HK\$419.3 million. It is intended that if the Possible Acquisition eventuates, the proceeds will be used to fund the consideration for the Possible Acquisition with the balance be used for general working capital of the Group. Otherwise, the entire proceeds will be used for general working capital of the Group.

The Directors believe that the terms of the Placing and the Subscription are fair and reasonable and in the interests of the Shareholders as a whole.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Pursuant to the subscription agreement dated 14 February 2007, 134,400,000 and 71,600,000 new Shares were issued to the Vendor on 27 February 2007 and 28 March 2007 respectively, the net proceeds from the subscription were approximately HK\$200 million and HK\$107 million respectively. The entire proceeds were used to fund the consideration for the acquisition of the entire issued share capital of Richsense Limited by the Group. Details of such acquisition and the subscription of new Shares have been set out in the announcements dated 13 February 2007, 14 February 2007 and 22 March 2007 and the circulars of the Company dated 22 May 2007 and 8 March 2007. Save for the above, the Company has not conducted any equity fund raising activities in the past twelve months.

EFFECTS ON SHAREHOLDING STRUCTURE

Assuming all the Placing Shares are placed under the Placing Agreement, the shareholding structure of the Company before and after the Placing and the Subscription will be as follows respectively:

Shareholders	As at the date of this announcement		Immediately after the Placing but before the Subscription		Immediately after the Subscription	
	Shares	%	Shares	%	Shares	%
The Vendor (<i>Note 1</i>)	206,880,000	21.49	45,600,000	4.74	206,880,000	18.41
Rich Game Capital Inc. (<i>Note 2</i>)	17,560,000	1.82	17,560,000	1.82	17,560,000	1.56
Indus Capital Partners LLC (<i>Note 3</i>)	112,764,000	11.71	112,764,000	11.71	112,764,000	10.03
Placees (<i>Note 4</i>)	–	–	161,280,000	16.75	161,280,000	14.35
Other public Shareholders	625,556,000	64.98	625,556,000	64.98	625,556,000	55.65
Total	962,760,000	100%	962,760,000	100%	1,124,040,000	100%

Notes:

- (1) The Vendor is owned as to 50% and 50% by Mr. Yeung Tony Ming Kwong and Mr. Liu Ching Hua respectively.
- (2) Rich Game Capital Inc. is owned as to 51% by Global Rainbow Ltd., which is wholly-owned by Mr. Tang Chien Chang; and as to 49% by Smart Gallant Limited which is wholly-owned by Mr. Scholari Jean-Christophe. Rich Game Capital Inc. is holding 17,560,000 Shares and will have additional 188,400,000 underlying Shares upon conversion of the convertible bonds issued pursuant to the sale and purchase agreements dated 16 March 2006 and dated 27 February 2007 in respect of the acquisition of the entire issued share capital of Richsense Limited.
- (3) Indus Capital Partners, LLC is 35.3% and 35.3% held by Mr. Kasowitz Sheldon Fenton and Mr. Kowitz David Nalhan respectively.
- (4) The Placees are part of the public Shareholders.

GENERAL INFORMATION

The Company is the holding company of the Group. The Group is principally engaged in investing in operations which receive the profit streams from the entertainment related business and the trading of timber logs and provision of services.

The Vendor is a holding company incorporated in the British Virgin Islands and its sole investment is the Shares held by it.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

RESUMPTION OF TRADING

At the request of the Company, trading of Shares on the Stock Exchange has been suspended from 11:04 a.m. on 19 July 2007 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading of Shares on the Stock Exchange from 9:30 a.m. on 20 July 2007.

DEFINITIONS

“associates”	has the meaning ascribed thereto under the Listing Rules
“Company”	Teem Foundation Group Ltd., a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected persons”	has the meaning ascribed thereto under the Listing Rules
“Directors”	directors of the Company
“General Mandate”	the mandate granted to the Directors by the Shareholders at the SGM to allot, issue and deal with up to 20% of the then issued share capital of the Company as at the date of the SGM
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Last Trading Date”	19 July 2007, being the last trading day for the Shares before this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOU”	the memorandum of understanding dated 18 July 2007 entered into between (i) Team Jade; and (ii) Power Rush Holdings Limited, an independent third party, setting out the preliminary terms in relation to the Possible Acquisition, details of which are set out in the announcement of the Company dated 18 July 2007
“Placee(s)”	any institutional or other professional investor(s) or any of their respective subsidiaries or associates procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing Agent’s obligation under the Placing Agreement
“Placing”	the placing of the Placing Shares beneficially owned by the Vendor pursuant to the terms of the Placing Agreement
“Placing Agent”	Bear Stearns Asia Limited
“Placing Agreement”	the placing agreement between the Vendor and the Placing Agent dated 19 July 2007 in relation to the Placing
“Placing Price”	HK\$2.65 per Placing Share
“Placing Shares”	an aggregate of 161,280,000 existing Shares beneficially owned by the Vendor and to be placed pursuant to the Placing Agreement
“Possible Acquisition”	the possible acquisition by the Group of certain percentage of the issued share capital of Triple Gain Group Limited, a company incorporated in the British Virgin Islands and wholly-owned by Power Rush Holdings Limited, under the MOU
“SGM”	the Special General Meeting of the Company held on 23 March 2007
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Shareholders”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares by the Vendor pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the subscription agreement between the Vendor and the Company dated 19 July 2007 in relation to the Subscription
“Subscription Price”	HK\$2.65 per Subscription Share
“Subscription Share(s)”	such number of new Shares to be subscribed for by the Vendor pursuant to the Subscription Agreement equivalent to the number of existing Shares sold by the Vendor pursuant to the Placing Agreement
“Team Jade”	Team Jade Enterprises Limited, a company incorporated on the British Virgin Islands and a wholly-owned subsidiary of the Company, the purchaser under the MOU
“trading day(s)”	has the meaning ascribed thereto under the Listing Rules
“Vendor”	Smart Town Holdings Limited, a company incorporated in the British Virgin Islands and a substantial Shareholder
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board of Directors
Teem Foundation Group Ltd.
Lum Chor Wah, Richard
Chairman

Hong Kong, 19 July 2007

As at the date of this announcement, the Board of Directors comprises of three executive directors, namely Mr. Lum Chor Wah, Richard, Mr. Tang Hin Keung and Mr. Pun Yuen Sang and three independent non-executive directors, namely Mr. Leung Chi Hung, Mr. Tsui Robert Che Kwong and Mr. Cheung Yim Kong, Johnny.