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OFFER ANNOUNCEMENT

Mandatory conditional cash offers by

UOB Kay Hian

UOB Kay Hian (Hong Kong) Limited

on behalf of

Luck Continent Limited for

- (i) all the issued shares of HK\$0.001 each in C Y Foundation Group Limited (other than those already owned or agreed to be acquired by Luck Continent Limited and parties acting in concert with it) and**
- (ii) all outstanding options of C Y Foundation Group Limited**

Financial adviser to Luck Continent Limited

VEDA | CAPITAL
智略資本

On 24 November 2009 and 8 January 2010, the Offeror exercised the subscription rights in the aggregate amount of HK\$6,000,000 pursuant to the Warrants at the subscription price of HK\$0.01 per Share.

MANDATORY CONDITIONAL CASH OFFERS

Immediately prior to 24 November 2009, the Offeror and parties acting in concert with it were interested in 2,646,264,127 Shares, representing approximately 41.64% of the then issued share capital of the Company. Immediately before the issue and allotment of the Warrant Shares, the Offeror and parties acting in concert with it were interested in 2,746,264,127 Shares, representing approximately 42.48% of the then issued share capital of the Company. Upon the issue and allotment of the Warrant Shares and as at the date of this announcement, the Offeror is interested in 3,246,264,127 Shares, representing

approximately 46.61% of the existing issued share capital of the Company. As following the exercise of the subscription rights pursuant to the Remaining Warrants, the Offeror which was then holding more than 30% of the voting rights of the Company acquired additional Shares carrying voting rights of more than 2% from its lowest percentage holding in the previous 12 month period, upon the issue and allotment of the Warrant Shares, the Offeror and parties acting in concert with it are required to make a mandatory conditional cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) pursuant to Rule 26 of the Takeovers Code. Pursuant to Rule 13 of the Takeovers Code, the Offeror is also required to make comparable offers for all the Options. The Offeror informed the Board of its intention to make the Offers on 11 January 2010.

The principal terms of the Offers are set out under the section headed “Principal terms of the Offers” of this announcement. Veda Capital and UOBKH HK are satisfied that there are sufficient financial resources available to the Offeror to satisfy the amount of funds required to meet the full acceptance of the Offers. Veda Capital is the financial adviser to the Offeror and UOBKH HK will make the Offers on behalf of the Offeror.

The Offers are conditional upon the Offeror having received valid acceptances in respect the Share Offer which, together with the Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it before or during the offer period, will result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights of the Company.

Shareholders should note that if the total number of Shares in respect of which the Offeror receives valid acceptances under the Share Offer together with those already owned or agreed to be acquired by the Offeror and parties acting in concert with it during the offer period, will result in the Offeror and parties acting in concert with it holding less than 50% of the voting rights of the Company, the Offers will not become unconditional and will lapse. In such circumstances, pursuant to Rule 20.2 of the Takeovers Code, the Offeror must, as soon as possible but in any event within 10 days thereof, post the Share certificates or Option certificates (as the case may be) lodged with forms of acceptance and transfer to, or make such Share certificates or Option certificates (as the case may be) available for collection by, those Independent Shareholders or Optionholders who have accepted the Offers.

GENERAL

Pursuant to Rule 8.2 of the Takeovers Code, the Offeror is required to despatch the offer document containing the terms of the Offers, together with the forms of acceptance and transfer, to the Shareholders and Optionholders within 21 days of the date of this announcement or such later date as the Executive may approve. Pursuant to the Takeovers Code, the Company is required to send the offeree board circular containing, inter alia, the advice from the independent board committee and the independent financial adviser to the Independent Shareholders and the Optionholders within 14 days after the posting of the offer document.

BACKGROUND

On 24 November 2009, the Offeror exercised the subscription rights in the amount of HK\$1,000,000 pursuant to the Warrants at the subscription price of HK\$0.01 per Share and 100,000,000 Shares were issued and allotted to the Offeror on or around 8 December 2009 (the “Previous Exercise”).

On 8 January 2010, the Offeror further exercised the subscription rights in the amount of HK\$5,000,000 pursuant to the Remaining Warrants at the subscription price of HK\$0.01 per Share. 500,000,000 Warrants Shares were issued and allotted to the Offeror in accordance with the conditions of the Remaining Warrants on 21 January 2010.

MANDATORY CONDITIONAL CASH OFFERS

Immediately prior to 24 November 2009, the Offeror and parties acting in concert with it were interested in 2,646,264,127 Shares, representing approximately 41.64% of the then issued share capital of the Company. Immediately before the issue and allotment of the Warrant Shares, the Offeror and parties acting in concert with it were interested in 2,746,264,127 Shares, representing approximately 42.48% of the then issued share capital of the Company. Upon the issue and allotment of the Warrant Shares and as at the date of this announcement, the Offeror is interested in 3,246,264,127 Shares, representing approximately 46.61% of the existing issued share capital of the Company. As following the exercise of the subscription rights pursuant to the Remaining Warrants, the Offeror which was then holding more than 30% of the voting rights of the Company acquired additional Shares carrying voting rights of

more than 2% from its lowest percentage holding in the previous 12 month period, upon the issue and allotment of the Warrant Shares, the Offeror and parties acting in concert with it are required to make a mandatory conditional cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) pursuant to Rule 26 of the Takeovers Code. Pursuant to Rule 13 of the Takeovers Code, the Offeror is also required to make comparable offers for all the Options. The Offeror informed the Board of its intention to make the Offers on 11 January 2010.

As at the date of this announcement, there are 6,964,710,326 Shares in issue and 11,930,000 Options, there are no outstanding warrants or options or securities convertible into Shares or any other derivatives in respect of securities in the Company. Taking into account of 3,246,264,127 Shares owned by the Offeror, 3,718,446,199 Offer Shares will be subject to the Share Offer.

As at the date of this announcement, (i) there are no arrangements (whether by way of option, indemnity or otherwise) in relation to shares of the Offeror or the Company and which might be material to the Offers; (ii) there are no agreements or arrangements to which the Offeror is a party which relate to circumstances in which it may or may not invoke or seek a pre-condition or a condition to the Offers; and (iii) no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or any person acting in concert with it has borrowed or lent.

Except for the exercise of the subscription rights pursuant to the Remaining Warrants and the Previous Exercise, there have been no dealings in the securities of the Company by the Offeror and parties acting in concert with it during the six-month period prior to 26 November 2009, being the date of the announcement of the Company in respect of another possible mandatory general offer of the Shares, and up to the date of this announcement.

The Offers will be made solely in cash on the terms set out below.

Principal terms of the Offers

UOBKH HK will, on behalf of the Offeror, make the Offers in compliance with the Takeovers Code on the following basis:

The Share Offer

For each Share HK\$0.01 in cash

The Option Offers

For each 2008 Nov Option HK\$0.0001 in cash

For each 2008 Dec Option HK\$0.0001 in cash

For each 2009 Option HK\$0.0001 in cash

The Offeror is required under the Takeovers Code to make comparable offers for all the outstanding Options as part of the Offers. As at the date of this announcement, the Company has outstanding Options entitling the relevant Optionholders to subscribe for an aggregate of 11,930,000 new Shares at the exercise price of HK\$0.09, HK\$0.1 and HK\$0.52 respectively. The Offeror offers to pay HK\$0.0001 in cash in respect of every Option in consideration of the surrender by the Optionholders of all their rights in respect of such Options. The price for the Option Offers has been determined with reference to the exercise prices under the Options, which are substantially higher than the price for the Share Offer of HK\$0.01 per Share. Accordingly, the price for the Options Offers is equivalent to a nominal value of HK\$0.0001 for each Option.

Condition of the Offers

The Offers are conditional upon the Offeror having received valid acceptances in respect the Share Offer which, together with the Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it before or during the offer period, will result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights of the Company.

Comparisons of value

The price of HK\$0.01 for each Offer Share equals to the subscription price for each Warrant Share under the terms of the Remaining Warrants. The price of HK\$0.01 per Offer Share represents:

- (a) a discount of approximately 93.29% to the closing price of HK\$0.149 per Share as quoted by the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 93.59% to the average closing price of approximately HK\$0.156 per Share for the 5 trading days up to and including the Last Trading Day;
- (c) a discount of approximately 93.90% to the average closing price of approximately HK\$0.164 per Share for the 10 trading days up to and including the Last Trading Day;
- (d) a discount of approximately 88.51% to the audited consolidated net asset value per Share of approximately HK\$0.087 as at 31 March 2009 (based on the audited accounts of the Company for the financial year ended 31 March 2009 and the number of outstanding Shares as at the date of this announcement); and
- (e) a discount of approximately 88.24% to the unaudited consolidated net asset value per Share of approximately HK\$0.085 as at 30 September 2009 (based on the unaudited accounts of the Company for the six months ended 30 September 2009 and the number of outstanding Shares as at the date of this announcement).

Total consideration

As at the date of this announcement, there are 6,964,710,326 Shares in issue. Based on the price of HK\$0.01 per Offer Share, the entire issued share capital of the Company is valued at approximately HK\$69,647,103 and the 3,718,446,199 Offer Shares under the Share Offer are valued at approximately HK\$37,184,462. Assuming that all 11,930,000 Options are tendered at a price of HK\$0.0001 per Option, the aggregate amount payable by the Offeror under the Option Offers is approximately HK\$1,193.

Assuming that all the 11,930,000 outstanding Options are fully exercised, there will be 6,976,640,326 Shares in issue and the entire issued share capital of the Company is valued at approximately HK\$69,766,403 under the price for Share Offer, and 3,730,376,199 Shares will be subject to the Share Offer which will be valued at approximately HK\$37,303,762.

Veda Capital and UOBKH HK are satisfied that there are sufficient financial resources available to the Offeror to satisfy the amount of funds required to meet the full acceptance of the Offers. Veda Capital is the financial adviser to the Offeror and UOBKH HK will make the Offers on behalf of the Offeror.

Effect of accepting the Offers

Acceptance of the Share Offer by any Shareholder will, subject to the Offers becoming unconditional, be deemed to constitute a warranty by such Shareholder that all Shares sold by such Shareholder under the Share Offer are free from all liens, charges, options, claims, equities, adverse interests, third-party rights or encumbrances whatsoever and together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and other distributions declared, made or paid, if any, on or after the date of despatch of the offer document.

By accepting the Option Offers, the Optionholders will, subject to the Offers becoming unconditional, agree to the cancellation of the Options and to surrender all rights attached thereto with effect from the date of despatch of the offer document.

The making of the Offers to persons with a registered address in jurisdictions outside Hong Kong may be affected by the applicable laws of the relevant jurisdictions. Shareholders and Optionholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements in their own jurisdictions.

Shareholders should note that if the total number of Shares in respect of which the Offeror receives valid acceptances under the Share Offer together with those already owned or agreed to be acquired by the Offeror and parties acting in concert with it during the offer period, will result in the Offeror and parties acting in concert with it holding less than 50% of the voting rights of the Company, the Offers will not become unconditional and will lapse. In such circumstances, pursuant to Rule 20.2 of the Takeovers Code, the Offeror must, as soon as possible but in any event within 10 days thereof, post the Share certificates or Option certificates (as the case may be) lodged with forms of acceptance and transfer to, or make such Share certificates or Option certificates (as the case may be) available for collection by, those Independent Shareholders or Optionholders who have accepted the Offers.

Payment

Payment in cash in respect of acceptances of the Offers will be made as soon as possible but, in any event, within 10 days of the date of receipt of a duly completed acceptance or when the Offers have become or declared unconditional, whichever is later.

Stamp duty

Seller's ad valorem stamp duty arising in connection with acceptances of the Share Offer, amounting to HK\$1.00 for every HK\$1,000 or part thereof of the greater of (i) the consideration payable by the Offeror in respect of the relevant acceptance; and (ii) the market value of the Shares, will be payable by the Independent Shareholders who accept the Share Offer and will be deducted from the consideration payable to such Independent Shareholders upon the Offers becoming unconditional. The Offeror will pay the buyer's ad valorem stamp duty on its own behalf and the seller's ad valorem stamp duty on behalf of the accepting Independent Shareholders in respect of the Shares accepted under the Share Offer.

No stamp duty is payable in connection with the acceptances of the Option Offers.

INFORMATION ON THE GROUP

The Company is an investment holding company and its subsidiaries are principally engaged in strategic investments, the provision of online gaming tournament services and digital entertainment operations in the PRC. It is also engaged in the manufacturing and sale of packaging products and trading of watches.

INFORMATION ON THE OFFEROR AND ITS INTENTION REGARDING THE COMPANY

The Offeror is a private investment holding company incorporated in the British Virgin Islands. The entire issued share capital of the Offeror is wholly and beneficially owned by Mr. Poh who is also the sole director of the Offeror. Mr. Poh, aged 51, has started his career as an entrepreneur in hospitality and leisure business in Singapore since 1977. Over the past 30 years, Mr. Poh has acquired extensive knowledge in a number of gaming management roles in Asia, including Singapore, Malaysia, Vietnam, the Philippines and Cambodia. He has extensive experience in providing gaming machines solution in Cambodia, Vietnam and the Philippines. Mr. Poh also participated in building the Rendang Beach Resort in Malaysia and the Hainan Wenchang Golf Club in Hainan Province of the PRC. He is also the founder and the chairman of a private company which is a manufacturer and distributor of slot machines, progressive jackpot link system, electronic table games and trilling games. Mr. Poh joined the Group as a Director in February 2007 and participated in the development direction of the Group. Mr. Poh has resigned as a Director with effect from 22 July 2009 due to his own business and other commitments.

As at the date of this announcement, save for 3,246,264,127 Shares owned by the Offeror, there is no existing holding of voting rights and rights over Shares (i) which the Offeror owns or over which it has control or direction; (ii) which is owned or controlled or directed by any person acting in concert with the Offeror; (iii) in respect of which the Offeror or any person acting in concert with it has received an irrevocable commitment to accept the Offers; and (iv) in respect of which the Offeror or any person acting in concert with it holds convertible securities, warrants or options.

The Offeror has no intention to privatize the Company. The Offeror intends to maintain the listing of the Shares on the Stock Exchange. It is the intention of the Offeror that the existing principal activities of the Group will remain unchanged and the Offeror has no intention to make any material changes (save for the proposed changes as mentioned under the paragraph headed “Proposed change of Board composition of the Company”) to the employees or management of the Group or to dispose of any material assets or businesses of the Group other than in its ordinary course of business and has no intention to inject any material assets or businesses into the Group as at the date of this announcement.

PROPOSED CHANGE OF BOARD COMPOSITION OF THE COMPANY

On 26 November 2009, the Offeror made a requisition to the Company to convene a special general meeting to consider and, if thought fit, to pass resolutions:–

- (1) to increase the maximum number of Directors to 25; and
- (2) to appoint the 13 persons proposed by the Offeror (as enumerated in the announcement of the Company dated 3 December 2009) as additional Directors.

By the announcement of the Company dated 14 December 2009, it was announced that the Company had been advised by Bermuda special legal counsel that there are currently no provisions in the Companies Act 1981 of Bermuda or the Bye-laws of the Company which entitles the Shareholders to nominate and appoint Directors at a special general meeting, and that the Company intended to arrange for a special general meeting to be convened as requisitioned by the Offeror to consider and if appropriate, vote on a proposed increase in the maximum number of Directors to 25, but the Company would not be including proposals to appoint additional Directors at that special general meeting.

Accordingly, a special general meeting of the Company to be held on 25 January 2010 has been convened by the Board for the purpose of considering and, if thought fit, passing the ordinary resolution that the maximum number of Directors be increased to 25 with immediate effect. Such special general meeting of the Company is adjourned to 26 February 2010.

The Offeror's position is that based on the legal advice received by it, it does not concur with the aforesaid advice of the Bermuda special legal counsel. The Offeror is still seeking legal advice of the actions (including the commencement of legal proceedings) to be taken in relation to such matter. Further announcement(s) setting out details of the appointment of new Directors in accordance with the Listing Rules will be made once the appointment of the new Directors is confirmed.

The Offeror will also seek to remove all or some of the existing Directors.

All appointments, removals and resignations of Directors will be made in full compliance with the requirements of the Takeovers Code and further announcement(s) will be made by the Company in accordance with the requirements of the Listing Rules.

GENERAL

Pursuant to Rule 8.2 of the Takeovers Code, the Offeror is required to despatch the offer document containing the terms of the Offers, together with the forms of acceptance and transfer, to the Shareholders and Optionholders within 21 days of the date of this announcement or such later date as the Executive may approve. Pursuant to the Takeovers Code, the Company is required to send the offeree board circular containing, inter alia, the advice from the independent board committee and the independent financial adviser to the Independent Shareholders and the Optionholders within 14 days after the posting of the offer document.

DEFINITIONS

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

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Board”	the board of Directors
“Company”	C Y Foundation Group Limited (Stock Code: 1182), a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Stock Exchange
“Directors”	directors of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders other than the Offeror and parties acting in concert with it
“Last Trading Day”	22 January 2010, being the last trading day of the Shares prior to the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Poh”	Mr. Poh Po Lian, the sole shareholder and the sole director of the Offeror
“Offer Shares”	issued Shares other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it

“Offeror”	Luck Continent Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly and beneficially owned by Mr. Poh
“Offers”	the Share Offer and the Option Offers
“Options”	2008 Nov Options, 2008 Dec Options and 2009 Options
“Optionholders”	holders of 2008 Nov Options, 2008 Dec Options and 2009 Options
“Option Offers”	the mandatory conditional cash offers to be made by UOBKH HK, on behalf of the Offeror, for all outstanding Options in accordance with the Takeovers Code
“PRC”	The People’s Republic of China, but excluding, for the purpose of this announcement, Hong Kong, Macau and Taiwan
“Previous Exercise”	has the meaning ascribed to it under the paragraph headed “Background” in this announcement
“Remaining Warrants”	registered warrants held by the Offeror as at 8 January 2010 to subscribe in cash in the amount of HK\$5,000,000 for new Shares at the subscription price of HK\$0.01 per Share
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Offer”	the mandatory conditional cash offer to be made by UOBKH HK, on behalf of the Offeror, to acquire all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) in accordance with the Takeovers Code

“Shares”	shares of HK\$0.001 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“UOBKH HK”	UOB Kay Hian (Hong Kong) Limited, a licensed corporation under the SFO permitted to engage in types 1, 4 and 6 regulated activities (dealing in securities, advising on securities and advising on corporate finance respectively)
“Veda Capital”	Veda Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO, the financial adviser to the Offeror in respect of the Offers
“Warrants”	registered warrants held by the Offeror as at 24 November 2009 to subscribe in cash in the amount of HK\$6,000,000 for new Shares at the subscription price of HK\$0.01 per Share
“Warrant Shares”	500,000,000 new Shares issued and allotted to the Offeror upon exercise of the subscription rights of the Remaining Warrants by the Offeror
“2008 Nov Options”	options which were granted on 3 November 2008 pursuant to the share option scheme of the Company adopted on 30 August 2002 and came into effect on 26 September 2002 and remain outstanding as at the date of this announcement, entitling the holders thereof to subscribe for new Shares at an exercise price of \$0.09 per Share

“2008 Dec Options”	options which were granted on 10 December 2008 pursuant to the share option scheme of the Company adopted on 30 August 2002 and came into effect on 26 September 2002 and remain outstanding as at the date of this announcement, entitling the holders thereof to subscribe for new Shares at an exercise price of \$0.1 per Share
“2009 Options”	options which were granted on 30 April 2009 pursuant to the share option scheme of the Company adopted on 30 August 2002 and came into effect on 26 September 2002 and remain outstanding as at the date of this announcement, entitling the holders thereof to subscribe for new Shares at an exercise price of \$0.52 per Share
“HK\$” and “cents”	Hong Kong Dollars and cents respectively, the lawful currency of Hong Kong
“%”	per cent.

By Order of the Board of
Luck Continent Limited
POH Po Lian
Sole Director

Hong Kong, 25 January 2010

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this announcement and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any of the statements in this announcement misleading.