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## **C Y FOUNDATION GROUP LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1182)**

### **(A) PROPOSED SHARE CONSOLIDATION AND CHANGE OF BOARD LOT SIZE; AND**

### **(B) PROPOSED OPEN OFFER ON THE BASIS OF ONE OFFER SHARE FOR EVERY TWO SHARES HELD ON THE RECORD DATE**

**Underwriter to the Open Offer**



**KINGSTON SECURITIES LTD.**

#### **(A) PROPOSED SHARE CONSOLIDATION AND CHANGE OF BOARD LOT SIZE**

The Board proposes that every ten (10) Existing Shares of HK\$0.001 each in the issued and unissued share capital of the Company be consolidated into one (1) Consolidated Share of HK\$0.01 in the issued and unissued share capital of the Company. As at the date of this announcement, there were 6,968,710,326 Existing Shares in issue and fully paid or credited as fully paid. In order to facilitate the Share Consolidation, the Company will consider issuance of four (4) new Existing Shares before the date of the SGM for the purpose of topping up the number of the Existing Shares in issue to multiples of ten to avoid any fractional Consolidated Share arising from the Share Consolidation. Assuming the aforementioned four (4) new Existing Shares are issued and no further Existing Shares will be issued or repurchased from the date of this announcement up to the date of the SGM, there will be 696,871,033 Consolidated Shares in issue and fully paid or credited as fully paid immediately following the Share Consolidation.

The Consolidated Shares will be traded in new board lots of 10,000 Consolidated Shares. Based on the closing price of HK\$0.045 per Existing Share on the Last Trading Day, the value of each board lot of the Consolidated Shares, assuming the Share Consolidation had already been effective, would be HK\$4,500.

The Share Consolidation and the Open Offer are not inter-conditional. A circular including further details of the Share Consolidation and the Change of Board Lot Size and a notice convening the SGM will be despatched to the Shareholders on or before Friday, 31 August 2012.

## **(B) PROPOSED OPEN OFFER**

The Board proposes to raise approximately HK\$69.7 million before expenses, by way of Open Offer of not less than 3,484,355,163 new Existing Shares and not more than 3,484,355,165 new Existing Shares (or 348,435,516 new Consolidated Shares if the Share Consolidation has become effective) at the Subscription Price of HK\$0.02 per Existing Share (or HK\$0.20 per Consolidated Share if the Share Consolidation has become effective) on the basis of one (1) Offer Share for every two (2) Shares held on the Record Date and payable in full on acceptance. The Open Offer will not be extended to the Prohibited Shareholders.

The Open Offer is only available to the Qualifying Shareholders. To qualify for the Open Offer, all transfers of Existing Shares must be lodged for registration with the Registrar by 4:00 p.m. on Thursday, 20 September 2012. The register of members of the Company will be closed from Friday, 21 September 2012 to Tuesday, 25 September 2012, both dates inclusive, to determine the eligibility of the Open Offer.

The Underwriter has conditionally agreed to underwrite the Offer Shares which have not been taken up. Accordingly, the Open Offer is fully underwritten.

The estimated net proceeds from the Open Offer will be approximately HK\$67 million. The Board intends to apply the net proceeds from the Open Offer as to not more than HK\$20 million for expansion of the Group's existing packaging business, as to not more than HK\$30 million for expansion of the Group's existing internet and digital entertainment business and as to the remaining for general working capital purposes.

## **WARNING OF THE RISK OF DEALINGS IN THE SHARES**

**Shareholders and potential investors should note that: (a) the Share Consolidation is conditional upon satisfaction of the conditions precedent set out in the paragraph headed "Conditions of the Share Consolidation" in this announcement. Accordingly, the Share Consolidation may or may not proceed; and (b) the Open Offer is conditional upon the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof. Accordingly, the Open Offer may or may not proceed. However, the Share Consolidation and the Open Offer are not inter-conditional.**

**Shareholders and potential investors should exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.**

**Shareholders should note that the Shares will be dealt in on an ex-entitlement basis commencing from Wednesday, 19 September 2012 and that dealing in the Offer Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled (which is expected to be on 4:00 p.m. on Wednesday, 17 October 2012), will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.**

The Company will send the Prospectus Documents to the Qualifying Shareholders and the Overseas Letter together with the Prospectus, for information only, to the Prohibited Shareholders on or before Thursday, 27 September 2012.

## **(A) PROPOSED SHARE CONSOLIDATION AND CHANGE OF BOARD LOT SIZE**

The Board proposes that every ten (10) Existing Shares of HK\$0.001 each in the issued and unissued share capital of the Company be consolidated into one (1) Consolidated Share of HK\$0.01 in the issued and unissued share capital of the Company. As at the date of this announcement, there were 6,968,710,326 Existing Shares in issue and fully paid or credited as fully paid. In order to facilitate the Share Consolidation, the Company will consider issuance of four new Existing Shares before the date of the SGM for the purpose of topping up the number of the Existing Shares in issue to multiples of ten to avoid any fractional Consolidated Share arising from the Share Consolidation. Assuming the aforementioned four new Existing Shares are issued and no further Existing Shares will be issued or repurchased from the date of this announcement up to the date of the SGM, there will be 696,871,033 Consolidated Shares in issue and fully paid or credited as fully paid immediately following the Share Consolidation. The authorised share capital of the Company will become HK\$300,000,000 divided into 30,000,000,000 Consolidated Shares of HK\$0.01 each. The Company will issue further announcement as and when required under the Listing Rules in the event that four (4) new Existing Shares are to be issued to facilitate the Share Consolidation.

### **Conditions of the Share Consolidation**

The implementation of the Share Consolidation is conditional upon:

- (i) the passing of the necessary ordinary resolution by the Shareholders at the SGM to approve the Share Consolidation;
- (ii) the Listing Committee granting the listing of, and permission to deal in, the Consolidated Shares; and
- (iii) compliance with the relevant procedures and requirements under Bermuda law and the Listing Rules to effect the Share Consolidation.

Subject to the fulfillment of the above conditions, the Share Consolidation will become effective on the Business Day following the date of the SGM, which is expected to be Tuesday, 18 September 2012.

### **Listing application**

Application will be made to the Listing Committee for the listing of, and permission to deal in, the Consolidated Shares. No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange. Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date as

determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

### **Change of Board Lot Size**

As at the date of this announcement, the Existing Shares are traded in board lots of 5,000 Existing Shares. Following the Share Consolidation becoming effective, the Consolidated Shares will be traded in new board lots of 10,000 Consolidated Shares. Based on the closing price of HK\$0.045 per Existing Share on the Last Trading Day, the value of each board lot of the Consolidated Shares, assuming the Share Consolidation had already been effective, would be HK\$4,500.

### **Status of the Consolidated Shares**

The Consolidated Shares will be identical and rank *pari passu* in all respects with each other as to all future dividends and distributions which are declared, made or paid.

The Share Consolidation will not result in any change in the relative rights of the Shareholders. Fractional Consolidated Shares will not be issued by the Company to Shareholders. Any fractional entitlement to the Consolidated Shares will be aggregated, sold and retained for the benefit of the Company. In order to alleviate the difficulties arising from the existence of odd lots of Consolidated Shares, the Company has agreed to procure an agent to arrange for matching service on a best effort basis regarding the sale and purchase of odd lots of Consolidated Shares from Thursday, 4 October 2012 to Thursday, 25 October 2012 (both days inclusive). Shareholders should note that matching of the sale and purchase of odd lots of Consolidated Shares is not guaranteed. Further details in respect of the odd lots trading arrangement will be set out in the circular to be despatched to the Shareholders.

### **Reasons for the Share Consolidation, the Change of Board Lot Size and their impact on the Company and the Shareholders**

The Board is aware that after the resumption of trading of the Existing Shares since 17 July 2012, the Existing Shares have been trading at a price below HK\$0.10. Based on the recent trading prices of the Existing Shares, there is a risk that the price of the Existing Shares may approach the extremity of HK\$0.01, being the trading limit under Rule 13.64 of the Listing Rules. The proposed Share Consolidation will increase the nominal value of the Existing Shares and reduce the total number of Existing Shares currently in issue, thereby minimizing the possibility that the price of the Existing Shares would approach such extremity. The Board believes that the Share Consolidation, together with the Change of Board Lot Size, will allow the Company to better respond to the market situations after the long suspension of the Existing Shares prior to 17 July 2012, and to provide greater flexibility to the Company in pricing future capital raising exercise. Accordingly, the Board is of the view that the Share Consolidation and the Change of Board Lot Size are beneficial to the Company and Shareholders as a whole.

Other than the expenses to be incurred by the Company in relation to the Share Consolidation, the implementation thereof will not, by itself, affect the underlying assets, business operations, management or financial position of the Group or the interests of Shareholders as a whole.

### **Exchange of Share Certificate**

Subject to the Share Consolidation becoming effective, which is currently expected to be Tuesday, 18 September 2012, being the Business Day immediately after the date of the SGM. Shareholders may, between Tuesday, 18 September 2012 and Monday, 29 October 2012 (both days inclusive and during office hours), submit their share certificates in green for the Existing Shares to the Registrar for exchange for share certificates in blue for the Consolidated Shares at the expense of the Company.

Shareholders should note that after the prescribed time for free exchange of share certificates, a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) will be payable by the Shareholders to the Registrar for exchange of share certificates.

With effect from 4:00 p.m. on Friday, 26 October 2012, trading will only be in Consolidated Shares. Share certificates in green for the Existing Shares will cease to be valid for trading and settlement purpose, but will remain valid and effective as documents of title.

### **GENERAL**

The Share Consolidation and the Open Offer are not inter-conditional. A circular including further details of the Share Consolidation and the Change of Board Lot Size and a notice convening the SGM will be despatched to the Shareholders on or before Friday, 31 August 2012. To the best of the Directors' knowledge, save for the holder of the four (4) new Existing Shares which may be issued to facilitate the Share Consolidation, no Shareholders have a material interest in the Share Consolidation and are required to abstain from voting at the SGM.

**Shareholders and potential investors should be aware of and take note that the Share Consolidation is conditional upon satisfaction of the conditions precedent set out in the paragraph headed "Conditions of the Share Consolidation" above, and therefore may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Existing Shares, and if they are in any doubt about their position, they should consult their professional advisers.**

## **(B) PROPOSED OPEN OFFER**

The Board proposes to raise approximately HK\$69.7 million before expenses, by way of Open Offer of not less than 3,484,355,163 new Existing Shares and not more than 3,484,355,165 new Existing Shares (or 348,435,516 new Consolidated Shares if the Share Consolidation has become effective) at the Subscription Price of HK\$0.02 per Existing Share (or HK\$0.20 per Consolidated Share if the Share Consolidation has become effective) on the basis of one (1) Offer Share for every two (2) Shares held on the Record Date and payable in full on acceptance.

### **Issue statistics**

Basis of the Open Offer:	One (1) Offer Share for every two (2) Shares held on the Record Date
Subscription Price:	HK\$0.02 per Existing Share (or HK\$0.20 per Consolidated Share)
Number of Existing Shares in issue as at the date of this announcement:	6,968,710,326 Existing Shares
Number of Offer Shares:	Not less than 3,484,355,163 new Existing Shares and not more than 3,484,355,165 new Existing Shares (or 348,435,516 new Consolidated Shares)
Number of Offer Shares underwritten by the Underwriter:	All the Offer Shares
Number of Shares in issue immediately upon completion of the Open Offer:	Not less than 10,453,065,489 Existing Shares and not more than 10,453,065,495 Existing Shares, (or, in the event the Share Consolidation becomes effective, not less than 1,045,306,548 Consolidated Shares and not more than 1,045,306,549 Consolidated Shares)

It is expected that the Share Consolidation will become effective before the Record Date. However, as the Share Consolidation is not one of the conditions precedent for the Open Offer, the Open Offer may, subject to the terms and conditions of the Underwriting Agreement, still proceed notwithstanding the results of the SGM on the Share Consolidation.

As at the date of this announcement, the Company has outstanding Convertible Notes in the principal amount of HK\$20,000,000 which is convertible into 349,040,139 Existing Shares at the initial conversion price of HK\$0.0573 per Existing Share (subject to adjustments). Save for the Convertible Notes, the Company has no other outstanding warrants, options or convertible securities as at the date of this announcement.

## **Qualifying Shareholders**

The Open Offer is only available to the Qualifying Shareholders. The Company will send (i) the Prospectus Documents to the Qualifying Shareholders and (ii) the Overseas Letter together with the Prospectus, for information only, to the Prohibited Shareholders.

To qualify for the Open Offer, the Shareholders must at the close of business on the Record Date: (i) be registered on the register of members of the Company; and (ii) not be the Prohibited Shareholders. In order to be registered as members of the Company on the Record Date, the Shareholders must lodge any transfer of the Shares (with the relevant share certificates) for registration with the Registrar by 4:00 p.m. on Thursday, 20 September 2012.

The invitation to subscribe for the Offer Shares to be made to the Qualifying Shareholders will not be transferable.

## **Closure of register of members**

The register of members of the Company will be closed from Friday, 21 September 2012 to Tuesday, 25 September 2012, both dates inclusive, to determine the eligibility of the Open Offer. No transfer of Shares will be registered during this period.

## **Subscription Price**

The Subscription Price is HK\$0.02 per Existing Share (or HK\$0.20 per Consolidated Share), payable in full on application. The Subscription Price represents:

- (i) a discount of approximately 55.56% to the closing price of HK\$0.045 per Existing Share as quoted on Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 61.54% to the average of the closing prices of HK\$0.052 per Share for the last five consecutive trading days including and up to the Last Trading Day; and
- (iii) a discount of approximately 45.95% to the theoretical ex-entitlement price of approximately HK\$0.037 per Share based on the closing price of HK\$0.045 per Existing Share after the Open Offer as quoted on the Stock Exchange on the Last Trading Day.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to, among other things, the prevailing market price of the Existing Shares and the financial positions of the Group. In view of the long suspension of trading of the Existing Shares on the Stock Exchange prior to 17 July 2012 and taking into consideration of the theoretical ex-entitlement price per Existing Share, in order to increase the attractiveness of the Open Offer to the Qualifying Shareholders, the Directors (including the independent non-executive Directors) consider that the proposed discount of the Subscription Price to the market price is appropriate. Each Qualifying Shareholder is entitled to subscribe for the

Offer Shares at the same price in proportion to his/her/its existing shareholding in the Company. The Directors (including the independent non-executive Directors) consider the Subscription Price is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

### **Status of the Offer Shares**

The Offer Shares (when allotted, fully paid and issued) will rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Offer Shares. Holders of the Offer Shares will be entitled to receive all future dividends and distributions, which are declared, made or paid on or after the date of allotment and issue of the Offer Shares.

### **Certificates of the Offer Shares**

Subject to fulfillment of the conditions of the Open Offer, share certificates for the Offer Shares are expected to be posted on or before Friday, 19 October 2012 to those entitled thereto by ordinary post at their own risk.

### **Rights of the Overseas Shareholders**

If, at the close of business on the Record Date, any Shareholder's address on the register of members of the Company is in a place outside Hong Kong, that Shareholder may not be eligible to take part in the Open Offer as the Prospectus Documents will not be registered and/or filed under the applicable securities legislation of any jurisdictions other than Hong Kong and Bermuda. The Board will make enquiries to its lawyers as to whether the issue of Offer Shares to the Overseas Shareholders may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange pursuant to the Listing Rules. If, after making such enquiry, the Board is of the opinion that it would be necessary or expedient not to offer the Offer Shares to such Overseas Shareholders, no provisional allotment of Offer Shares will be made to such Overseas Shareholders. Accordingly, the Open Offer will not be extended to the Prohibited Shareholders.

### **No application for excess Offer Shares**

After arm's length negotiation with the Underwriter, the Board decided that the Qualifying Shareholders will not be entitled to subscribe for any Offer Share in excess of their respective assured entitlements. Given that under the proposed Open Offer, each Qualifying Shareholder will be given equal and fair opportunities to participate in the Company's future development by subscribing for his/her/its entitlements under Open Offer, the Board considers that it will put in additional effort and costs to administer the excess application procedures. Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to subscribe or procure subscription for the Offer Shares which have not been taken up by the Qualifying Shareholders.

### **Fractional entitlements**

Fractional entitlements to Offer Shares will not be issued but will be aggregated and taken up by the Underwriter.

### **Application for listing**

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Offer Shares.

## **UNDERWRITING ARRANGEMENT**

### **Underwriting Agreement**

Date:	15 August 2012 (after trading hours)
Underwriter:	Kingston Securities Limited
Number of Offer Shares underwritten:	Pursuant to the terms and conditions of the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite any Offer Shares which have not been taken up. Accordingly, the Open Offer is fully underwritten.

To the best of the Directors' knowledge, information and belief, the Underwriter and its associates are Independent Third Parties. As at the date of this announcement, the Underwriter is interested in an aggregate of 60 Existing Shares.

A commission of 2% of the value of the maximum number of Offer Shares committed to be underwritten by the Underwriter under the Open Offer will be payable to the Underwriter and the Company will reimburse the Underwriter for all reasonable costs and expenses incurred by the Underwriter in connection with the Open Offer under the Underwriting Agreement. The Directors (including the independent non-executive Directors) consider that the amount and the basis of the underwriting commission are fair and reasonable and the commission rate is comparable to the current market rate.

In the event of the Underwriter is being called upon to subscribe for or procure subscription for the untaken Offer Shares, the Underwriter shall not subscribe, for its own account, for such number of untaken Offer Shares which will result in the shareholding of it and parties acting in concert (within the meaning of the Takeovers Code) with it to exceed 19.9% of the voting rights of the Company upon the completion of the Open Offer; and the Underwriter shall use its best endeavours to ensure that each of the subscribers of the untaken Offer Shares procured by it (i) shall be an Independent Third Party and not acting in concert with the Directors or chief executive of the Company or substantial shareholders of the Company or their respective associates; and (ii), save for the Underwriter itself and its associates, shall not, together with any party acting in concert (within the meaning of the Takeovers Code) with it, hold 10.0% or more of the voting rights of the Company as enlarged by the Offer Shares upon completion of the Open Offer, such that the Company will be able to comply with the minimum public float requirement sets out under Rule 8.08(1) of the Listing Rules.

## **Termination of the Underwriting Agreement**

If, prior to the Latest Time for Termination (provided that for the purposes if the date of the Latest Time for Termination shall be a Business Day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is or remains in force in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day, the date of the Latest Time for Termination shall be the next Business Day on which no tropical cyclone warning signal no. 8 or above or no black rainstorm warning signal is or remains in force in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day):

- (1) in the absolute opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:
  - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or
  - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (3) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (4) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or

- (5) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (6) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of any of the Underwriter, a material omission in the context of the Open Offer; or
- (7) any suspension in the trading of securities generally or the Shares on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of the announcement in respect of Open Offer or the Prospectus Documents or other announcements or circulars in connection with the Open Offer,
- (8) any moratorium, suspension or material restriction on trading of the Shares on the Stock Exchange due to exceptional financial circumstances or otherwise,

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

The Underwriter shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

- (1) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (2) any Specified Event comes to the knowledge of the Underwriter.

Any such notice shall be served by the Underwriter prior to the Latest Time for Termination.

### **Conditions of the Open Offer**

The Open Offer is conditional upon:

- (1) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively not later than the Prospectus Posting Date of one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies Ordinance;
- (2) the registration with the Registrar of Companies in Bermuda of one copy of each of the Prospectus Documents duly (if required) signed by one Director (for and on behalf of all Directors) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Companies Act 1981 of Bermuda, as amended from time to time, on or as soon as practicable after the Prospectus Posting Date;

- (3) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and the Overseas Letter to the Prohibited Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Open Offer on or before the Prospectus Posting Date;
- (4) the Listing Committee granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Offer Shares by no later than the first day of their dealings;
- (5) if necessary, the Bermuda Monetary Authority granting consent to the issue of the Open Offer Shares by the Latest Time for Termination or such other time as the Underwriter may agree with the Company in writing;
- (6) the obligations of the Underwriter becoming unconditional and that the Underwriting Agreement is not terminated in accordance with its terms at or before the Latest Time for Termination;
- (7) compliance with and performance of all undertakings and obligations of the Company under the Underwriting Agreement and the representations and warranties given by the Company under the Underwriting Agreement remaining true, correct and not misleading in all material respects; and
- (8) the holder of the Convertible Notes having given an irrevocable undertakings in favour of the Company and the Underwriter not to either convert part or the whole of the Convertible Notes held by it into Shares, or transfer or otherwise deal with the Convertible Notes before the Record Date.

The above conditions precedent are incapable of being waived. If the conditions precedent are not satisfied in whole or in part by the Latest Time for Termination or such other date as the Company and the Underwriter may agree, the Underwriting agreement shall terminate and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

## **REASONS FOR THE OPEN OFFER AND USE OF PROCEEDS**

The Company is an investment holding company. The principal activities of the Group are engaged in the manufacturing and sales of packaging products, operating internet and digital entertainment business and watch trading.

The estimated net proceeds from the Open Offer will be approximately HK\$67 million. The Board intends to apply the net proceeds from the Open Offer as to not more than HK\$20 million for expansion of the Group's existing packaging business, as to not more than HK\$30 million for expansion of the Group's existing internet and digital entertainment business and as to the remaining for general working capital purposes.

The Directors (including the independent non-executive Directors) consider that the Open Offer is fair and reasonable and in the interests of the Company and the Shareholders as a whole having taken into account the terms of the Open Offer. Furthermore, it also offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their

proportionate interests in the Company to participate in the future development of the Company should they wish to do so. However, those Qualifying Shareholders who do not take up the Offer Shares to which they are entitled should note that their shareholdings in the Company will be diluted.

## EFFECTS ON SHAREHOLDING STRUCTURE

For illustration purpose only, the shareholding structure of the Company as at the date hereof and immediately after the completion of the Open Offer is set out below (without taking into account of the Share Consolidation):

	As at the date of this announcement		Immediately after completion of the Open Offer (assuming all Qualifying Shareholders take up his/her/its entitlements under the Open Offer)		Immediately after completion of the Open Offer (assuming no Qualifying Shareholders take up his/her/its entitlements under the Open Offer)	
	<i>No. of</i>		<i>No. of</i>		<i>No. of</i>	
	<i>Existing Shares</i>	<i>Approximate %</i>	<i>Existing Shares</i>	<i>Approximate %</i>	<i>Existing Shares</i>	<i>Approximate %</i>
<i>Substantial Shareholders:</i>						
Luck Continent Limited	3,246,264,127	46.58%	4,869,396,190	46.58%	3,246,264,127	31.06%
CHENG Chee Tock Theodore and his associates	1,757,142,856	25.21%	2,635,714,284	25.21%	1,757,142,856	16.81%
<i>Public Shareholders:</i>						
Underwriter (Notes 1 and 2)	60	0.00%	90	0.00%	3,484,355,225	33.33%
Others (Note 2)	1,965,303,287	28.21%	2,947,954,931	28.21%	1,965,303,287	18.80%
Total	<u>6,968,710,330</u>	<u>100.00%</u>	<u>10,453,065,495</u>	<u>100.00%</u>	<u>10,453,065,495</u>	<u>100.00%</u>

### Notes:

- Pursuant to the Underwriting Agreement, the Underwriter shall not subscribe, for its own account, for such number of untaken Offer Shares which will result in the shareholding of it and parties acting in concert (within the meaning of the Takeovers Code) with it to exceed 19.9% of the voting rights of the Company upon the completion of the Open Offer; and the Underwriter shall use its best endeavours to ensure that each of the subscribers of the untaken Offer Shares procured by it (i) shall be an Independent Third Party and not acting in concert with the Directors or chief executive of the Company or substantial shareholders of the Company or their respective associates; and (ii), save for the Underwriter itself and its associates, shall not, together with any party acting in concert (within the meaning of the Takeovers Code) with it, hold 10.0% or more of the voting rights of the Company as enlarged by the Offer Shares upon completion of the Open Offer, such that the Company will be able to comply with the minimum public float requirement sets out under Rule 8.08(1) of the Listing Rules.
- Assuming four further new Existing Shares are issued for the sole purpose of facilitating the Share Consolidation prior to the SGM.

## **Adjustments to the outstanding Convertible Notes**

As at the date of this announcement, the Company has outstanding Convertible Notes in the principal amount of HK\$20,000,000 convertible into 349,040,139 Existing Shares at the initial conversion price of HK\$0.0573 per Existing Share (subject to adjustment pursuant to the terms thereof).

Save as disclosed above, the Company does not have any other outstanding options, warrants or securities in issue which are convertible or exchangeable into the Shares. As each of the Share Consolidation and the Open Offer will cause adjustments to the conversion price of the Convertible Notes and the resulting number of the Shares to be allotted and issue upon exercising of the conversion rights attached to the Convertible Notes, the Company will appoint the auditors of the Company to certify the necessary adjustment to the conversion price of the Convertible Notes. Further announcement will be made by the Company in this regard.

## **WARNING OF THE RISK OF DEALINGS IN THE SHARES**

**Shareholders and potential investors should note that the Open Offer is conditional upon the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof. Accordingly, the Open Offer may or may not proceed. However, the Share Consolidation and the Open Offer are not inter-conditional.**

**Shareholders and potential investors should exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.**

**Shareholders should note that the Shares will be dealt in on an ex-entitlement basis commencing from Wednesday, 19 September 2012 and that dealing in Offer Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled (which is expected to be on 4:00 p.m. on Wednesday, 17 October 2012), will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.**

The Company will send the Prospectus Documents to the Qualifying Shareholders and the Overseas Letter together with the Prospectus, for information only, to the Prohibited Shareholders on or before Thursday, 27 September 2012.

## FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

<b>Date of announcement</b>	<b>Descriptions</b>	<b>Amount raised</b>	<b>Intended usage</b>	<b>Actual usage as at the date of this announcement</b>
27 July 2012	Issue of the Convertible Notes	Approximately HK\$19.7 million	HK\$10 million for repayment of the loan to the subscriber and the remaining for general working capital of the Group	HK\$10 million has been applied for repayment of the loan to the subscriber and the remaining has been applied for general working capital of the Group

Save as disclosed above, the Company did not carry out any rights issue, open offer or other issue of equity securities for fund raising purpose or otherwise within the past 12 months immediately prior to the date of this announcement.

### EXPECTED TIMETABLE

The expected timetable for the Share Consolidation and the associated trading arrangements are as follows:

Despatch of Company's circular and proxy form with notice of SGM	Friday, 31 August 2012
Latest time for lodging forms of proxy for the purpose of the SGM	11:00 a.m. on Saturday, 15 September 2012
SGM for the Share Consolidation	11:00 a.m. on Monday, 17 September 2012
Announcement of results of SGM	Monday, 17 September 2012
Effective date of the Share Consolidation	Tuesday, 18 September 2012
Original counter for trading in Existing Shares in board lots of 5,000 Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. on Tuesday, 18 September 2012
Temporary counter for trading in board lots of 500 Consolidated Shares (in the form of existing share certificates) opens	9:00 a.m. on Tuesday, 18 September 2012
First day of free exchange of existing share certificates	Tuesday, 18 September 2012
Last day of dealings in Shares on a cum-entitlement basis	Tuesday, 18 September 2012

First day of dealings in Shares on an ex-entitlement basis	Wednesday, 19 September 2012
Latest time for lodging transfer of Shares in order to be qualified for the Open Offer	4:00 p.m. on Thursday, 20 September 2012
Register of members of the Company closed (both dates inclusive)	Friday, 21 September 2012 to Tuesday, 25 September 2012 (both dates inclusive)
Record date	Tuesday, 25 September 2012
Register of members of the Company re-opens	Wednesday, 26 September 2012
Despatch of the Prospectus Documents (in case of the Prohibited Shareholders, the Prospectus only)	Thursday, 27 September 2012
Original counter for trading in Consolidated Shares in board lots of 10,000 Consolidated Shares (in the form of new share certificates) reopens	9:00 a.m. on Thursday, 4 October 2012
Parallel trading in Consolidated Shares commences	9:00 a.m. on Thursday, 4 October 2012
First day of operation of odd lot trading facility	Thursday, 4 October 2012
Latest time for acceptance of, and payment of Offer Shares	4:00 p.m. on Monday, 15 October 2012
Latest time for the Open Offer to become unconditional (being the first Business Day following the Latest Acceptance Date)	4:00 p.m. on Wednesday, 17 October 2012
Announcement of results of acceptance of the Offer Shares	Thursday, 18 October 2012
Despatch of share certificates for Offer Shares	Friday, 19 October 2012
Dealings in Offer Shares commence	9:00 a.m. on Monday, 22 October 2012
Temporary counter for trading in board lots of 500 Consolidated Shares (in the form of existing share certificates) closes	4:00 p.m. on Thursday, 25 October 2012
Parallel trading ends	4:00 p.m. on Thursday, 25 October 2012
Last day of operation of odd lot trading facility	Thursday, 25 October 2012
Latest time for free exchange of share certificates	4:00 p.m. on Monday, 29 October 2012

All times stated in this announcement refer to Hong Kong times. Dates stated in this announcement for events in the timetable are indicative only and may be extended or varied. Any changes to the anticipated timetable for the Open Offer will be announced as appropriate.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meaning ascribed to them below:

“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	board of the Directors
“Business Day”	a day (other than a Saturday, a Sunday or days on which a typhoon signal 8 or above or black rainstorm signal is hoisted in Hong Kong at 10:00 a.m.) on which banks in Hong Kong are generally open for business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Change of Board Lot Size”	the proposed change of board lot size of the Shares for trading on the Stock Exchange from 5,000 Existing Shares to 10,000 Consolidated Shares with effect from 4 October 2012 (assuming the Share Consolidation becomes effective on 18 September 2012)
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“Company”	C Y Foundation Group Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning given to that term in the Listing Rules
“Consolidated Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company immediately after the Share Consolidation becoming effective
“Convertible Notes”	the 3% convertible notes in the principal amount of HK\$20,000,000 conferring rights to convert into 349,040,139 Existing Shares at the initial conversion price of HK\$0.0573 per Existing Share (subject to adjustments)
“Directors”	directors of the Company

“Existing Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company prior to the Share Consolidation having become effective
“Group”	the Company and its subsidiaries
“HKSCC”	the Hong Kong Securities Clearing Company Limited
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	person(s) who is/are independent of and not connected with the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries, or any of their respective associates
“Last Trading Day”	14 August 2012, being the last trading day for the Existing Shares immediately prior to the date of this announcement
“Latest Lodging Date”	4:00 p.m. on Thursday, 20 September 2012 as the latest time for lodging transfer of Shares in order to qualify for the Open Offer
“Latest Time for Acceptance”	4:00 p.m. on Monday, 15 October 2012 or such later time or date as may be agreed between the Company and the Underwriter, being the latest time for acceptance of, and payment for, the Offer Shares
“Latest Time for Termination”	4:00 p.m. on the second Business Day after the Latest Time for Acceptance or such later time or date as may be agreed between the Company and the Underwriter, being the latest time to terminate the Underwriting Agreement
“Listing Committee”	the listing committee of the Stock Exchange for considering applications for listing and the granting of listing
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Offer Share(s)”	not less than 3,484,355,163 new Existing Shares and not more than 3,484,355,165 new Existing Shares (or 348,435,516 new Consolidated Shares) proposed to be offered to the Qualified Shareholders for subscription on the basis of one (1) Offer Share for every two (2) Shares held on the Record Date and payable in full on acceptance pursuant to the Open Offer

“Open Offer”	the proposed issue of the Offer Shares by way of Open Offer to the Qualified Shareholders on the terms to be set out in the Prospectus Documents and summarised therein
“Overseas Letter”	a letter from the Company to the Prohibited Shareholders explaining the circumstances in which the Prohibited Shareholders are not permitted to participate in the Open Offer
“Overseas Shareholders”	the Shareholders with registered addresses on the register of members of the Company which are outside Hong Kong on the Record Date
“Prohibited Shareholder(s)”	those Overseas Shareholder(s) to whom the Board, after making enquires, considers it necessary or expedient on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place not to offer the Offer Shares to them
“Prospectus”	the prospectus to be issued by the Company in relation to the Open Offer
“Prospectus Documents”	the Prospectus and the application form in respect of the assured allotment of Offer Shares
“Prospectus Posting Date”	Thursday, 27 September 2012 or such later date as may be agreed between the Underwriter and the Company for the despatch of the Prospectus Documents
“Qualifying Shareholders”	the Shareholders, other than the Prohibited Shareholders, whose names appear on the register of members of the Company as at the close of business on the Record Date
“Record Date”	Tuesday, 25 September 2012, being the date by reference to which entitlements to the Open Offer will be determined
“Registrar”	the Company’s branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, approve the Share Consolidation and the transaction contemplated thereunder
“Share(s)”	Existing Share(s) or Consolidated Share(s), as the case maybe

“Share Consolidation”	the proposed consolidation of every ten (10) Existing Shares of HK\$0.001 each in the issued and unissued share capital of the Company into one (1) Consolidated Share of HK\$0.01 in the issued and unissued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Specified Event”	an event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.02 per Existing Share (or HK\$0.20 per Consolidated Share) for the Offer Shares
“Takeovers Code”	The Code on Takeovers and Mergers
“Underwriter”	Kingston Securities Limited, a licensed corporation to carry on business in type 1 regulated activity (dealing in securities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Underwriting Agreement”	the underwriting agreement dated 15 August 2012 entered into between the Company and the Underwriter in relation to the Open Offer
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	percentage or per centum

By order of the Board  
**C Y Foundation Group Limited**  
**SNEAH Kar Loon**  
*Chairman*

Hong Kong, 15 August 2012

*As at the date of this announcement, the executive Directors of the Company are Mr. SNEAH Kar Loon, Mr. SIK Siu Kwan and Mr. NG Kwok Lun, and the independent non-executive Directors are Mr. LAI Hock Meng, Mr. BALAKRISHNAN Narayanan, Mr. YONG Peng Tak and Mr. IO Rudy Cheok Kei.*