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C Y FOUNDATION GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1182)

(1) MAJOR AND CONNECTED TRANSACTION INVOLVING THE ISSUE OF THE CONVERTIBLE NOTES AND (2) CONTINUING CONNECTED TRANSACTIONS

THE ACQUISITION

The Board is pleased to announce that on 24 May 2013 (after trading hours), the Company as the issuer, Perfect Ace and Ace Advantage (both being direct wholly-owned subsidiaries of the Company) as the purchasers entered into the Agreement with the Vendors, pursuant to which, among other things, the Purchasers have conditionally agreed to acquire, and the Vendors have conditionally agreed to sell the Sale Shares at a total consideration of HK\$69 million, which is to be satisfied by way of issue of the Convertible Notes to the Vendors (or their respective nominee(s)) upon Completion.

The Target Company is principally engaged in the management of electronic gaming equipment in Macau. Upon Completion, it will become an indirect wholly-owned subsidiary of the Company and its financial results will be consolidated into the financial statements of the Company.

PROPOSED CONTINUING CONNECTED TRANSACTIONS

On 24 May 2013, the Target Company and Weike PTE entered into the Service Agreement. Pursuant to the Service Agreement, the Target Company agrees to provide the information technology services to Weike PTE at the Target Sites for a term up to 31 March 2016. The Annual Caps for the period from the effective date of the Service Agreement to 31 March 2014 and for each of the two financial years ending 31 March 2015 and 2016 are expected to be HK\$5.0 million, HK\$6.5 million and HK\$7.0 million respectively.

GENERAL

As one or more of the applicable percentage ratios in respect of the Acquisition exceed 25% but are less than 100%, the Acquisition constitutes a major transaction on the part of the Company. As the Target Company is beneficially wholly-owned by Weike PTE and Dato Poh, and Weike PTE is wholly owned by Dato Poh who is the controlling Shareholder of the Company (by virtue of his beneficial interest in approximately 31.06% of the existing issued share capital of the Company as at the date of this announcement), the Vendors are connected persons of the Company. Accordingly, the Acquisition and the transaction contemplated thereunder also constitute a connected transaction on the part of the Company, subject to the reporting, announcement and the independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

The specific mandate for the issue and allotment of the Conversion Shares will be sought at the SGM. The Board will seek approval from the Independent Shareholders at the SGM for the grant of a specific mandate for the issue and allotment of the Conversion Shares.

Upon Completion, the Service Agreement will constitute a continuing connected transaction on the part of the Company. As one or more of the applicable percentage ratios (other than the profits ratio) in respect of the Annual Caps are less than 25% and the annual consideration is less than HK\$10,000,000, the Service Agreement (including the Annual Caps) and the transactions contemplated thereunder are subject to the announcement, reporting and annual review requirements but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Dato Poh and his associates (including Weike PTE) will abstain from voting in respect of the resolution(s) approving the Acquisition (including the issue of the Convertible Notes and the grant of a specific mandate for the issue and allotment of the Conversion Shares) at the SGM. As Mr. Sneah is the Chairman of the Board, an executive Director holding 3,300,000 Shares, representing approximately 0.32% of the issued share capital of the Company as at the date of this announcement, and also one of the directors of the Target Company, he had abstained from voting in respect of the Acquisition at the Board meeting and will abstain from voting in respect of the resolution(s) approving the Acquisition at the SGM.

The Independent Board Committee, which comprises all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the terms of the Agreement and the transactions contemplated thereunder (including the issue of the Convertible Notes and the grant of a specific mandate for the issue and allotment of the Conversion Shares). An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the abovementioned transactions.

The SGM will be convened for the purpose of, among other matters, considering, and if thought fit, approving (i) the terms of the Agreement and the transactions contemplated thereunder; (ii) the issue of the Convertible Notes; and (iii) the grant of a specific mandate for the issue and allotment of the Conversion Shares. A circular containing, among others, (i) details of the Agreement and the transactions contemplated thereunder; (ii) the terms of the Convertible Notes; (iii) the accountants' report on the Target Company; (iv) the unaudited pro forma financial information of the Enlarged Group; (v) the valuation report on the Target Company; (vi) the advice of the independent financial adviser regarding the terms of the Agreement (and the transactions contemplated thereunder); (vii) the advice of the Independent Board Committee regarding the terms of the aforesaid transactions; (viii) other information as required to be disclosed under the Listing Rules; and (ix) notice of the SGM and a form of proxy are expected to be despatched to the Shareholders on or before 21 June 2013.

Completion is subject to the satisfaction and/or waiver of the conditions precedent under the Agreement and therefore, may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

THE ACQUISITION

Reference is made to the announcement of the Company dated 5 April 2013 in relation to a possible acquisition.

The Board is pleased to announce that on 24 May 2013 (after trading hours), the Company as the issuer, and Perfect Ace and Ace Advantage (both being direct wholly-owned subsidiaries of the Company) as the purchasers entered into the Agreement with the Vendors, pursuant to which, among other things, the Purchasers have conditionally agreed to acquire, and the Vendors have conditionally agreed to sell the Sale Shares at a total consideration of HK\$69 million, which is to be satisfied by way of issue of the Convertible Notes to the Vendors (or their respective nominee(s)) upon Completion.

THE AGREEMENT

The principal terms of the Agreement are as follows:

Date

24 May 2013 (after trading hours)

Parties

Issuer: the Company

Purchasers: (i) Perfect Ace; and
(ii) Ace Advantage.

Perfect Ace and Ace Advantage (both being wholly-owned subsidiary of the Company), which are incorporated in the BVI with limited liability on 1 February 2013 and 8 March 2013 respectively, are principally engaged in investment holding.

- Vendors:**
- (i) Weike PTE; and
 - (ii) Dato Poh.

To the best information, knowledge and belief of the Directors after making necessary enquiry, Weike PTE and Dato Poh are interested in 96% and 4% of the issued share capital in the Target Company respectively, and Weike PTE is wholly owned by Dato Poh. Dato Poh is the controlling Shareholder indirectly interested in 324,626,412 Shares (representing approximately 31.06% of the issued share capital of the Company) as at the date of this announcement. Therefore, the Vendors are regarded as connected persons of the Company.

Assets to be acquired by the Company

Pursuant to the Agreement, the Vendors have conditionally agreed to sell and the Purchasers have conditionally agreed to acquire MOP\$24,000 Sale Shares and MOP\$1,000 Sale Shares respectively, representing 96% and 4% equity interest in the issued share capital of the Target Company respectively. The Sale Shares will be acquired free from the Encumbrance.

The Target Company is principally engaged in the management of electronic gaming equipment in Macau. For further information on the Target Company, please refer to the section headed “Information on the Target Company” below.

Upon Completion, the Target Company will be owned as to 96% and 4% by Perfect Ace and Ace Advantage respectively. It will become an indirect wholly-owned subsidiary of the Company and the financial results of which will be consolidated into the financial statements of the Company.

Consideration

The total consideration payable under the Agreement is HK\$69 million, which will be satisfied by way of issue of the Convertible Notes by the Company to the Vendors (or their respective nominees) upon Completion.

The Consideration was determined after arm's length negotiations between the Vendors and the Group after taking into consideration of (i) the preliminary valuation of 100% equity interest of the Target Company as at 30 April 2013 of approximately HK\$69 million as advised by Ascent Partners Valuation Service Limited (the "**Preliminary Valuation**"), an independent valuation firm (the "**Valuer**"), (ii) the recent financial position and performance of the Target Company and (iii) the outlook of the gaming industry in Macau.

As the Valuer has applied the discounted cash flow method under income approach in preparing the Preliminary Valuation, the Preliminary Valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules. Details of the principal assumptions of the Preliminary Valuation are as follows:

- (1) the future operation will be conducted as planned and the financial projections are realizable;
- (2) the Target Company will focus on the Macau market;
- (3) there will be sufficient supply of technical staff in the gaming equipment industry in which the Target Company operates;
- (4) the Target Company will retain competent management, key personnel and technical staff to support its ongoing business;
- (5) the Supply and Maintenance Agreement and the Service Agreement have been duly entered into and will not be terminated prior to the expiry of the term of the respective agreements;
- (6) the Supply and Maintenance Agreement will be renewed after the expiry of the term of the agreement;
- (7) interest rates and exchange rates for the operation of the Target Company will not differ materially from those presently prevailing;

- (8) all relevant regulatory approvals and business certificates or licenses to operate the business in Macau in which the Target Company operates have been obtained and will be renewed upon their expiry;
- (9) there will be no significant changes in the current taxation laws in Macau in which the Target Company operates, the relevant tax rates shall remain unchanged, and that all applicable laws and regulations will be complied with;
- (10) there will be no material changes in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the economy in general and the business of the Target Company; and
- (11) it is assumed that the prospective earnings would provide a reasonable return on the fair market value of the assets.

The Preliminary Valuation may be subject to change upon finalization of, among others, the accountants' report of the Target Company. The Preliminary Valuation may or may not therefore be the same as the final valuation. The finalized valuation report, including details of the assumptions, basis and methodology of the valuation, will be included in the circular to be issued by the Company in relation to the Acquisition.

Based on the information currently available, the Directors are of the view that the Preliminary Valuation prepared by the Valuer has been made after due and careful enquiry. A letter from the Company's auditors and the confirmation from the Directors with respect to the final valuation as required under Rule 14.62 of the Listing Rules will be provided by them.

Having considered that (i) the Acquisition is in line with the business strategy of the Group to diversify its existing business; (ii) the favourable prospects of the gaming industry in Macau, details of which have been set forth in the section headed "Reasons for and benefits of the Acquisition" in this announcement; and (iii) the Consideration is in line with the Preliminary Valuation, the Board considers that the Consideration, which was arrived at after arm's length negotiations, is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Conditions precedent to Completion

Completion is subject to the fulfillment (or waiver, as the case may be) of the following conditions precedent:

- (1) the Group being satisfied with the results of the due diligence review to be conducted on the Target Company;
- (2) the obtaining of all necessary authorizations, licences, consents and approvals required to be obtained from banks, third parties and relevant governmental authorities in respect of the transactions contemplated under the Agreement;
- (3) the passing by the Independent Shareholders at the SGM the necessary resolution(s) to approve the Agreement and the transactions contemplated thereunder, including without limitation, the issue of the Convertible Notes, the grant of the specific mandate to issue and allot the Conversion Shares and the transactions contemplated thereunder, as required by the Listing Rules;
- (4) the obtaining of a legal opinion issued by a Macau lawyer acceptable to the Group covering such matters of the Macau laws relevant to the transactions contemplated under the Agreement in such form and substance to the satisfaction of the Group;
- (5) the obtaining of a valuation report prepared by the Valuer (in form and substance satisfactory to the Group) in relation to the business of the Target Company with a valuation of not less HK\$69 million;
- (6) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Conversion Shares;
- (7) if applicable, the approval of the Bermuda Monetary Authority in respect of the allotment and issue of the Conversion Shares;

- (8) the approval of the application submitted by Hong Hock to DICJ for the purchase of new slot machines and entering into the Supply and Maintenance Agreement having been granted by DICJ;
- (9) the entering into of the Service Agreement by the Target Company and Weike PTE;
- (10) there being no matter adversely affecting the legal standing or continued existence of the Target Company to continue to carry on its business;
- (11) the warranties provided by the Vendors under the Agreement remaining true and accurate and not misleading in all material respects; and
- (12) subject to the fulfillment (or waiver, as the case may be) of all the above conditions, all the required transfer documents in Macau for the transfer of the Sale Shares having been duly executed by the Vendors and the Purchasers (and/or their respective nominees) and the names of the Purchasers (and/or their respective nominees) having been duly registered as the shareholders of the Target Company.

The Group may waive any conditions precedent above (except conditions (2), (3), (6) and (7) which are not waivable). If any of the conditions precedent set out in above have not been satisfied (or, as the case may be, waived by the Group) at or before 12:00 noon on 31 August 2013 or such later date as the Group may agree, the Agreement shall cease and determine and neither party thereto shall have any obligations and liabilities thereunder save for any antecedent breaches of the terms thereof.

Completion

Upon compliance with or fulfillment (or waiver) of all the conditions precedent above, Completion shall take place on the Completion Date.

Mandate to issue the Conversion Shares

The specific mandate for the issue and allotment of the Conversion Shares will be sought at the SGM. The Board will seek approval from the Independent Shareholders at the SGM for the grant of a specific mandate for the issue and allotment of the Conversion Shares.

Restrictive covenants under the Agreement

In order to protect the interests of the Target Company, Dato Poh undertakes with the Company and the Target Company that without the prior consent in writing of the Company, he shall not and shall procure that none of his associates shall directly or indirectly, whether itself, or by its employees or agents and whether on its own behalf or on behalf of any other person, firm or company or otherwise:

- (1) for a period of five years from the Completion Date: (i) solicit or canvass, accept orders from or otherwise deal with any person who either was a manager or operator of the casinos with which the Target Company was working at any time prior to the Completion Date; or at the Completion Date was in the process of negotiating or contemplating doing business with the Target Company; or (ii) solicit or entice away or attempt to solicit or entice away from the Target Company any director, manager, or key personnel employed or otherwise engaged by that the Target Company on Completion Date, whether or not that person would commit any breach of any employment contract by leaving the employment of that the Target Company; and
- (2) after Completion, interfere or seek to interfere with the business carried on by the Target Company.

Dato Poh further undertakes with the Company that when he or any of his associates is offered or becomes aware of any new project or business opportunity in Macau directly or indirectly to engage or become interested in the business of the Target Company, he shall:

- (1) promptly notify the Company in writing, refer such project or business opportunity to the Company for consideration first and provide such information as may be reasonably required by the Company to make an informed assessment of such project or business opportunity; and
- (2) not, and procure that his associates shall not, invest or participate in any such project or business opportunity unless such project or business opportunity shall have been rejected by the Company and the principal terms of which he and/or his associates invest or participate are no more favourable than those made available to the Company.

First right of refusal to acquire Weike PTE

Pursuant to the Agreement, Dato Poh irrevocably and unconditionally grants a first right of refusal to dispose of the entire issued share capital of Weike PTE to the Company for a period of five years from the Completion Date (the “**First Right of Refusal**”). There is no premium paid by the Company to the Vendors in relation to the First Right of Refusal. In this regard, Dato Poh undertakes with the Company that before expiry of the above-mentioned period, he shall not, directly or indirectly, dispose of or create any Encumbrance over the issued share capital of Weike PTE without the written consent of the Company. The Company will comply with all the relevant requirements under the Listing Rules in the event of the exercise, transfer, termination and non-exercise of the First Right of Refusal.

Convertible Notes

The principal terms of the Convertible Notes which will be issued at Completion are as follows:

Issuer:	The Company
Principal amount:	HK\$69,000,000 (in the denomination of HK\$1,000,000)
Conversion Price:	The initial Conversion Price is HK\$0.15 per Conversion Share.

The Conversion price is subject to certain anti-dilution adjustment provisions upon occurrence of, among other things, (a) an alternation of the nominal amount of the Shares by reasons of consolidation or subdivision; (b) capitalisation of profits and reserves; (c) capital distribution; (d) an offer or grant to Shareholders by way of rights or of options or warrants to subscribe for new Shares at a price less than 90% of the then market price; (e) issue wholly for cash any Shares, or other securities convertible into exchangeable for or carry rights of subscription for new Shares at a price less than 90% of the then market price; (f) consideration issue at a price which is less than 90% of the then market price of the Shares; and (g) modification of rights of conversion, exchange and subscription attached to the securities referred to in (e) above resulting in the issue price being less than 90% of the then market price.

Conversion Shares: Up to a maximum of 460,000,000 Conversion Shares will be issued upon full conversion of the Convertible Notes, based on the initial Conversion Price of HK\$0.15.

Interest Rate: The Convertible Notes shall bear interest from the date of their issue at the rate of three per cent. (3%) per annum on the outstanding principal amount thereof to be payable half-yearly in arrears.

The Convertible Notes will, in respect of the conversion rights attaching thereto which are not yet exercised, cease to bear interest on the earliest of (a) its conversion date subject to conversion of the Convertible Notes; and (b) the Maturity Date.

Maturity Date: The third anniversary of the date of issue of the Convertible Notes.

Conversion: Provided that the public float of the Shares shall not be less than 25% (or any given percentage as required by the Listing Rules) of the issued Shares of the Company as required under the Listing Rules, the Noteholder shall have the right at any time during the Conversion Period to convert the whole or part of the outstanding principal amount of the Convertible Note (in a whole multiple of HK\$1,000,000) into the Shares.

Upon receiving a conversion notice, the Company shall be entitled to redeem the whole amount of the Convertible Note to be converted at 100 per cent. to the principal amount of the Convertible Note to be converted, rather than to issue the relevant number of Conversion Shares.

Ranking of the
Convertible Notes and
the Conversion Shares:

The Convertible Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Company under the Convertible Notes shall at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

The Conversion Shares will rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of and shall entitle the holders to participate in all dividends or other distributions on or after the date of their allotment and issue.

There will not be any restrictions for the subsequent sale of the Conversion Shares.

Transferability:

Subject to any requirement(s) that may be imposed by the Stock Exchange, the Convertible Note may be assigned or transferred to any transferee in whole or in part (in whole multiples of HK\$1,000,000) of its outstanding principal amount.

Voting:

The Noteholder shall not be entitled to attend or vote at any meetings of the Company by reason only of he/she/it being Noteholder.

Listing: No application will be made for the listing of the Convertible Notes on the Stock Exchange or any other stock exchange.

Application will be made by the Company for the listing of, and permission to deal in, the Conversion Shares to be issued upon the exercise of the conversion rights attaching to the Convertible Notes.

Redemption: The Company may at any time before the Maturity Date by serving at least ten (10) days' prior written notice on the Noteholder with the total amount proposed to be redeemed from the Noteholder specified therein, redeem the Convertible Note (in whole or in part) at 100 per cent. of its principal amount. Any Convertible Notes which remained outstanding on the Maturity Date shall be redeemed at 100 per cent. of its outstanding principal amount, inclusive of interests, if any, as accrued.

Based on the initial Conversion Price of HK\$0.15 per Conversion Share, a maximum number of 460,000,000 Conversion Shares will be allotted and issued upon exercise of the conversion rights attaching to the Convertible Notes in full, which represent: (i) approximately 44.0% of the existing issued share capital of the Company as at the date hereof, and (ii) approximately 30.6% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares in full (assuming no other Shares will be issued or repurchased by the Company).

If, as a result of the relevant exercise of the conversion rights attaching to the Convertible Notes, the Noteholder and/or parties acting in concert with it will trigger a mandatory general offer under Rule 26 of the Takeovers Code, the Noteholder shall comply with the relevant publication, independent shareholders' approval and other requirements as required under the Takeovers Code.

Conversion price

The initial Conversion Price is HK\$0.15 per Share, subject to adjustments, as provided in the terms of the Convertible Notes.

The Conversion Price represents:

- (a) a discount of approximately 28.6% to the closing price of HK\$0.210 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (b) a discount of approximately 32.4% to the average of the closing prices of approximately HK\$0.222 per Share as quoted on the Stock Exchange for the 5 consecutive trading days immediately prior to the Last Trading Date;
- (c) a discount of approximately 25.4% to the average of the closing prices of approximately HK\$0.201 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Date; and
- (d) a premium of approximately 2.7% over the average of the closing prices of approximately HK\$0.146 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Date (the “**30-day Average Price**”).

The Conversion Price was determined after arm’s length negotiations between the Company and the Vendors with reference to, among other things, the 30-day Average Price, the prevailing market price of the Shares and prevailing market performance. As such, the Directors consider that the Conversion Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE TARGET COMPANY

The Target Company is a commercial company with limited liability by quotas incorporated in Macau on 3 June 2009, registered in the Commercial and Movable Assets Registry of Macau under no. 33552(SO) on 4 June 2009. It has a share capital of MOP\$25,000 divided into two quotas, as to one quota with nominal value of MOP\$24,000, representing 96% of the issued share capital, held by Weike PTE; and as to one quota with nominal value of MOP\$1,000, representing 4% of the issued share capital, held by Dato Poh as at the date of this announcement. Currently, Dato Poh, Mr. Sneah and Mr. Poh Yuan Rui, the son of Dato Poh, are the directors of the Target Company.

It is principally engaged in the management of electronic gaming equipment in Macau.

Supply and Maintenance Agreement

The Target Company has entered into a Supply and Maintenance Agreement dated 1 February 2013 with Hong Hock, an Independent Third Party, among other things, to establish, supply, set up, repair and maintenance of slot machines at the Landmark Site for a term of five years and the Target Company has the option to renew the agreement for another five years upon expiry of the agreement.

In return, Hong Hock is responsible for, among other things, to allocate operational ready space on the casino floor that is appropriate to place the slot machines, subject to the DICJ's review and prior consent, to co-operate with and assist by using its endeavors to obtain any necessary approvals required in reference to any equipment provided by the Target Company which has not been obtained approved by DICJ and to provide treasury and other necessary support services.

To ensure full compliance with the relevant Macau legislation, Hong Hock has submitted an application to DICJ for entering into the Supply and Maintenance Agreement and the purchase of new slot machines to be used at the Landmark Site. As advised by the legal adviser to the Macau Law, the Supply and Maintenance Agreement shall be deemed valid upon receiving the approval from DICJ.

In consideration for the services provided by the Target Company to Hong Hock, the Target Company shall receive, on a monthly basis, a performance bonus and free hotel rooms to be calculated taking into consideration the monthly net income statement of Hong Hock, prepared for the slot hall overall's operations. The Target Company guarantees Hong Hock to receive a minimum monthly return from the slot hall and make up for any shortfall.

As at the date of this announcement, the Target Company has supplied and set up 205 slot machines at the Landmark Site. For the period from 1 February 2013 to 31 March 2013, the Target Company recorded revenue from provision of service under the Supply and Maintenance Agreement of approximately MOP\$1.78 million (equivalent to approximately HK\$1.75 million).

Service Agreement

On 24 May 2013, the Target Company and Weike PTE entered into the Service Agreement, details of which please refer to the section below headed "Proposed Continuing Connected Transactions" below.

Shareholders of the Target Company

Weike PTE

Weike PTE is a company incorporated in the Cayman Islands with limited liability and the entire issued share capital is owned by Dato Poh. It is principally engaged in the management of electronic gaming equipment at the Target Sites in Macau and entered into the Service Agreement with the Target Company.

Dato Poh

Dato Poh has started his career as an entrepreneur in hospitality and leisure business in Singapore since 1977. Over the past 30 years, he has acquired extensive knowledge in managing gaming business 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. He also participated in building the Rendang Beach Resort in Malaysia and the Hainan Wenchang Golf Club in Hainan Province of the People's Republic of China. 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. Dato Poh joined the Company as the executive Director in February 2007 and participated in the development direction of the Group. He was subsequently re-designated as non-executive Director in April 2009 and resigned from the post with effect from 22 July 2009 due to his own business and other commitments.

Management team

The existing key management of the Target Company will be retained in the Enlarged Group after Completion and the Company will consider appointing additional suitable candidates to ensure the efficient operation of the Target Company.

Set out below are the brief biographies of the key management of the Target Company:

- (1) Dato Poh is the director of the Target Company since 2009 and is responsible for overseeing the corporate direction and overall management of the Target Company. Please refer to the paragraph headed "Shareholders of the Target Company" above for the biographies of Dato Poh.
- (2) Mr. Sneah is the director of the Target Company since 2009 and is responsible for planning of corporate direction, strategy and business development of Target Company. Mr. Sneah is the Chairman of the Board and executive Director since April 2011. He was the chief financial officer of the Company from May 2007 to July 2007, the business development executive of the Company from July 2007 to October 2007, and the chief executive officer of the Company from November 2007 to November 2008. He is also the group chief executive officer of Weike (S) Pte Limited since 2009, a manufacturer

and developer of electronic gaming equipment. He obtained a bachelor's degree in Asian studies from Lawrence University, Wisconsin, the United States of America, and a master degree in international management from the American Graduate School of International Management, Arizona, the United States of America. He had held senior management positions in a global financial institution, and had over 20 years of experience in investment banking, corporate finance, and private venture capital business.

- (3) Mr. Poh Yuan Rui, the son of Dato Poh, joined the Target Company in 2010 and was appointed as a director for the Target Company in April 2011. Mr. Poh has a bachelor degree in Commerce, majoring in Economics and Finance from the University of Melbourne in 2009. He was also a business development manager for Weike Gaming Technology (S) Pte Limited, a casino gaming equipment manufacturer, and is responsible for the planning of corporate direction, strategy and business development. He was recently appointed as the chief operating officer for Weike Gaming Technology (S) Pte Limited and currently oversees the operations of the company.
- (4) Mr. Andrew F. Crisafi is the vice president of operations of the Target Company and is responsible for the operation management and strategic planning of the Target Company. He has over fifteen years of experience working in the electronic gaming industry and served for the international renowned casinos and electronic gaming companies in Macau and overseas.
- (5) Mr. Lai Chi Hou is the marketing manager of the Target Company and is responsible for marketing activities of the Target Company. He obtained a master of business administration degree from University of Macau and has over ten years of sales and marketing experience in Macau.
- (6) Mr. Tan Liang Hoor is the technical manager of the Target Company and is responsible for overseeing the technical department of the Target Company to provide project management and technical support services. He obtained a bachelor degree in computer science from University of Bolton, United Kingdom and has over ten years of experience in project management and technical support, of which over five years of experience is involved in electronic gaming equipment related companies.

Financial information of the Target Company

Set out below are the unaudited financial results of the Target Company for each of the two years ended 31 March 2012 and 2013 prepared in accordance with Hong Kong Financial Reporting Standards:

	For the year ended 31 March 2012		For the year ended 31 March 2013	
	(unaudited) <i>MOP\$</i>	(unaudited) <i>Equivalent to approximate HK\$</i>	(unaudited) <i>MOP\$</i>	(unaudited) <i>Equivalent to approximate HK\$</i>
Turnover	–	–	1,780,884	1,745,965
Other income (<i>Note</i>)	4,907,544	4,811,318	10,440,110	10,235,402
Loss before tax	(33,243)	(32,591)	(3,696,605)	(3,624,123)
Loss after tax	(33,243)	(32,591)	(3,696,605)	(3,624,123)

Note: The other income represents service fee charged to Weike PTE for the provision of information technology services on cost basis including the direct expenses incurred and paid by the Target Company on behalf of Weike PTE.

As at 31 March 2013, the unaudited net liabilities of the Target Company were approximately MOP\$3,731,423 (equivalent to approximately HK\$3,658,258) including an amount due to a related company of the Target Company of approximately MOP\$14,223,012 (equivalent to approximately HK\$13,944,129), which is unsecured, bears interest at the rate of 5% per annum and repayable upon demand.

Upon Completion, the amount due to a related company of the Target Company shall constitute financial assistance provided by the connected person of the Company. Given the amount due to a related company by the Target Company is on normal commercial terms where no security over the assets of the Enlarged Group is granted in respect of the financial assistance, the transaction will therefore be exempted from the reporting, announcement and the approval from the independent shareholders' requirements, by virtue of Rule 14A.65(4) of the Listing Rules.

REASONS FOR AND BENEFITS FROM THE ACQUISITION

The Group is principally engaged in the manufacturing and sales of packaging products, operating internet and digital entertainment business and watch trading.

Over the past few years, the Group recorded unsatisfactory financial performance with loss-making results. The management of the Group has been reviewing the existing businesses of the Group from time to time and strives to improve the business operation and financial position of the Group. It has been the business strategy of the Group to proactively seek potential investment opportunities in order to enhance the return to the Shareholders.

Macau has been one of the most rapidly growing economies in Asia since the liberalization of the gaming industry in 2002 and it is also the only territory within China where casino operations have been legalized. Following the granting of new concessions in 2002 and the Chinese Government's implementation of the Individual Visit Scheme in 2003, Macau's gaming industry has witnessed significant growth in mass market casino gaming operations.

According to the DICJ, in 2012, the gross revenue from slot machine gaming reached approximately MOP\$13,244 million (equivalent to approximately HK\$12,984 million), and increased by about 16% compared to that of in 2011 of approximately MPO\$11,425 million (equivalent to approximately HK\$11,201 million). The Directors expect the demand for slot and multi terminal machines will continue to grow in future with the increase in the number of visitors to Macau. It is an attractive investment opportunity for the Group to acquire the Target Company and diversify its existing business into a new line of business with growth potential to provide services to casinos in Macau. The Directors also consider that the new business will generate additional income and cash flow to the Group.

Based on the above, the Directors (excluding the independent non-executive Directors whose opinion will be based upon the recommendation from the independent financial adviser to be appointed) consider that the terms of the Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

PROPOSED CONTINUING CONNECTED TRANSACTIONS

The Service Agreement

On 24 May 2013, the Target Company and Weike PTE entered into the Service Agreement. Upon Completion, the transactions contemplated under the Service Agreement shall constitute continuing connected transactions of the Company subject to announcement, reporting and annual review requirements but exempt from the independent shareholders' approval under Chapter 14A of the Listing Rules. Details of which are set out below:

Scope of services

Pursuant to the Service Agreement, the Target Company agrees to provide the following information technology services to Weike PTE at the Target Sites for a term up to 31 March 2016:

- (1) system integration services including the liaison with, and procurement of other hardware and software suppliers to develop and provide monitoring security system and the design and provision of information technology expertise to ameliorate the computer facilities and equipments of Weike PTE; and
- (2) maintenance services including the continuing maintenance and support services, such as rectification of any error and provision of spare parts, if necessary, for the relevant technical systems provided under the Service Agreement.

Pricing

The fee payable by Weike PTE for the provision of the information technology services shall be the aggregate of:

- (1) where those expenses can be directly attributable to Weike PTE such as replacement of hardware and spare parts, an exact amount of such expenses to be charged on a disbursement basis; plus

- (2) where those expenses cannot be directly attributable to Weike PTE such as staff costs, rental and other overheads, a monthly fee of such indirect expenses calculated on a pro rata basis based on the number of slot machines owned by Weike PTE to the total number of slot machines owned by the Target Company and Weike PTE, multiplied by a factor of 20%.

The service fee shall be payable by Weike PTE on a quarterly basis to be settled within 14 days upon receipt of the invoice from the Target Company.

Term and renewal

The Service Agreement shall take effect on the first Business Day after the satisfaction of all the conditions precedent set out in the Service Agreement and shall continue in full force and effect for a term up to 31 March 2016.

Conditions precedent

The Service Agreement is conditional upon:

- (1) Completion having taken place in accordance with the terms of the Agreement;
- (2) all necessary consents, authorisations and approvals required to be obtained on the part of the Target Company in respect of the Service Agreement having been obtained; and
- (3) all necessary consents, authorisations and approvals required to be obtained on the part of Weike PTE in respect of the Service Agreement having been obtained.

None of the above conditions precedent are capable of being waived. If any of the conditions set out in the above have not been satisfied at or before 12:00 noon on 31 August 2013 or such later date as the parties thereto may agree, the Service Agreement shall cease and determine and thereafter neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

Termination

The Service Agreement will be terminated upon occurrence of the following events:

- (1) expiry of the term of the Service Agreement;
- (2) expiration of the relevant licenses granted by the authorities of Macau to Weike PTE;
- (3) Weike PTE has ceased its business at the Target Sites;
- (4) winding up or cessation of business of either party; or
- (5) any changes in any applicable laws or the Listing Rules which will render the performance of the obligations of either party under the Service Agreement unlawful or in breach of the relevant rules.

Historical transaction amounts and the Annual Caps

For each of the financial years ended 31 March 2011, 2012 and 2013, the Target Company recorded other income from provision of the information technology services to Weike PTE of approximately MOP\$1,047,882 (equivalent to approximately HK\$1,068,840), approximately MOP\$4,907,544 (equivalent to approximately HK\$4,811,318) and approximately MOP\$10,440,110 (equivalent to approximately HK\$10,235,402) respectively. The historical other income represented the amounts charged by the Target Company for provision of information technology services to Weike PTE on cost basis including direct expenses incurred in the business of Weike PTE and paid by the Target Company on behalf of Weike PTE.

The Annual Caps for the period from the effective date of the Service Agreement to 31 March 2014 and for each of the two financial years ending 31 March 2015 and 2016 are expected to be HK\$5.0 million, HK\$6.5 million and HK\$7.0 million respectively.

The Annual Caps are determined by reference to a number of factors, including (i) the historical amounts charged by the Target Company to Weike PTE; (ii) the anticipated growth rate in the staff cost and inflation rate in Macau; and (iii) the premium to be charged over its expenses for provision of the services.

Reasons for and benefits of the Continuing Connected Transactions

Prior to the Acquisition, the Target Company has assisted Weike PTE to set up the slot machine operations and provided information technology services to the Target Sites.

Upon Completion, the Target Company will continue to provide the information technology services to Weike PTE through its established platform and professional team, which will achieve economies of scale and create synergies to the Target Company in future. The Target Company will be able to promote its services to other potential customers engaging in gaming industry in Macau by leveraging on its established track record to provide services to Weike PTE.

In addition, the provision of the information technology services to Weike PTE generates additional income to the Target Company.

In view of the above, as the Service Agreement will be carried out in the ordinary and usual course of the Target Company's business and on normal commercial terms, the Directors (including the independent non-executive Directors) are of the view that terms of the Service Agreement (including the Annual Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

CHANGES IN SHAREHOLDING STRUCTURE OF THE COMPANY

The following table shows the shareholding structure of the Company (i) as at the date of this announcement; and (ii) upon Completion and full conversion of the Convertible Notes at the initial Conversion Price assuming no other Shares will be issued or repurchased by the Company (for illustrative purpose only).

	As at the date of this announcement		Upon Completion and full conversion of the Convertible Notes at the initial Conversion Price (assuming no other Shares will be issued or repurchased by the Company)	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Luck Continent Limited	324,626,412	31.06%	324,626,412	21.57%
Vendors	—	0.0%	460,000,000	30.56%
	<u>324,626,412</u>	<u>31.06%</u>	<u>784,626,412</u>	<u>52.13%</u>
Steady Enterprises Limited (<i>Note 1</i>)	174,217,758	16.67%	174,217,758	11.57%
Mr. Sneah Kar Loon (<i>Note 2</i>)	3,300,000	0.31%	3,300,000	0.21%
Mr. Io Rudy Cheok Kei (<i>Note 3</i>)	<u>1,300,000</u>	<u>0.12%</u>	<u>1,300,000</u>	<u>0.09%</u>
	<u>178,817,758</u>	<u>17.11%</u>	<u>178,817,758</u>	<u>11.88%</u>
Public Shareholders	<u>541,862,378</u>	<u>51.84%</u>	<u>541,862,378</u>	<u>36.0%</u>
Grand total	<u>1,045,306,548</u>	<u>100%</u>	<u>1,505,306,548</u>	<u>100%</u>

Notes:

- (1) To the best knowledge, information and belief of the Directors, Steady Enterprises Limited is owned by Phua Wei Seng.
- (2) Mr. Sneah Kar Loon is the Chairman of the Board and an executive Director.
- (3) Mr. Io Rudy Cheok Kei is an independent non-executive Director.
- (4) As at the date of this announcement, there are (a) 11,700,000 outstanding share options with an exercise price of HK\$0.1292 per Share granted pursuant to the share option scheme of the Company approved on 28 September 2012; and (b) convertible bonds issued by the Company to Idea Sino Limited due on 26 July 2013 (the “**Idea Sino Convertible Bonds**”) in the principal amount of HK\$20,000,000 which are convertible into Shares at the conversion price of HK\$0.5073 per Share. The conversion price shall be subject to adjustments as a result of the issue of the Convertible Notes upon Completion. Further announcement will be made by the Company upon determination of the adjusted conversion price of the Idea Sino Convertible Bonds and adjusted number of Shares which may be allotted and issued by the Company upon exercise in full of the Idea Sino Convertible Bonds by the holder(s) thereof, if any. Save for the above, the Company has no outstanding derivatives, options, warrants, conversion rights or other similar rights which are convertible or exchangeable into Shares.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios in respect of the Acquisition exceed 25% but are less than 100%, the Acquisition constitutes a major transaction on the part of the Company. As the Target Company is beneficially wholly-owned by Weike PTE and Dato Poh, and Weike PTE is wholly owned by Dato Poh who is the controlling Shareholder of the Company (by virtue of his beneficial interest in approximately 31.06% of the existing issued share capital of the Company as at the date of this announcement), the Vendors are connected persons of the Company. Accordingly, the Acquisition and the transactions contemplated thereunder also constitute a connected transaction on the part of the Company, subject to the reporting, announcement and the independent shareholders’ approval requirements under Chapters 14 and 14A of the Listing Rules.

Upon Completion, the Service Agreement will constitute a continuing connected transaction on the part of the Company. As one or more of the applicable percentage ratios (other than the profits ratio) in respect of the Annual Caps are less than 25% and the annual consideration is less than HK\$10,000,000, the Service Agreement (including the Annual Caps) and the transactions contemplated thereunder are subject to the announcement, reporting and annual review requirements but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Dato Poh and his associates (including Weike PTE) will abstain from voting in respect of the resolution(s) approving the Acquisition (including the issue of the Convertible Notes and the grant of a specific mandate for the issue and allotment of the Conversion Shares) at the SGM. As Mr. Sneah is the Chairman of the Board, an executive Director holding 3,300,000 Shares, representing approximately 0.32% of the issued share capital of the Company as at the date of this announcement, and also one of the directors of the Target Company, he had abstained from voting in respect of the Acquisition at the Board meeting and will abstain from voting in respect of the resolution(s) approving the Acquisition at the SGM.

The Independent Board Committee, which comprises all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the terms of the Agreement and the transactions contemplated thereunder (including the issue of the Convertible Notes and the grant of a specific mandate for the issue and allotment of the Conversion Shares). An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreement and the transaction contemplated thereunder.

The SGM will be convened for the purpose of, among other matters, considering, and if thought fit, approving (i) the terms of the Agreement and the transactions contemplated thereunder; (ii) the issue of the Convertible Notes; and (iii) the grant of a specific mandate for the issue and allotment of the Conversion Shares. A circular containing, among others, (i) details of the Agreement and the transactions contemplated thereunder; (ii) the terms of the Convertible Notes; (iii) the accountants' report on the Target Company; (iv) the unaudited pro forma financial information of the Enlarged Group; (v) the valuation report on the Target Company; (vi) the advice of the independent financial adviser regarding the terms of the Agreement (and the transactions contemplated thereunder); (vii) the advice of the Independent Board Committee regarding the terms of the aforesaid transactions; (viii) other information as required to be disclosed under the Listing Rules; and (ix) notice of the SGM and a form of proxy are expected to be despatched to the Shareholders on or before 21 June 2013.

Completion is subject to the satisfaction and/or waiver of the conditions precedent under the Agreement and therefore, may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

The following terms are used in this announcement with the meanings set out below unless context requires otherwise.

“Ace Advantage”	Ace Advantage Developments Limited, a company incorporated in the BVI with limited liability, a direct wholly-owned subsidiary of the Company and one of the Purchasers
“Acquisition”	the proposed acquisition of the Sale Shares, representing the entire issued share capital of the Target Company by the Purchasers from the Vendors pursuant to the Agreement and transactions contemplated thereunder
“Agreement”	the sale and purchase agreement dated 24 May 2013 entered into among the Purchasers, the Company and the Vendors in relation to the Acquisition
“Annual Cap(s)”	the relevant cap amount for the service fee (other than disbursements) to be received by the Target Company under the Service Agreement for the period from the effective date of the Service Agreement to 31 March 2014 and for each of the two years ending 31 March 2015 and 2016
“associate(s)”	has the same meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Business Days”	a day (other than a Saturday or a Sunday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“BVI”	the British Virgin Islands

“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
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Agreement
“Completion Date”	the date falling the third Business Days after all the conditions precedent specified in the Agreement have been fulfilled (or waived, as the case may be)
“connected person(s)”	has the same meaning ascribed thereto in the Listing Rules
“Consideration”	the consideration for the Acquisition in an aggregate amount of HK\$69 million
“Continuing Connected Transactions”	the information technology services to be provided by the Target Company to Weike PTE contemplated under the Service Agreement
“Conversion Period”	the period commencing from the date of issue of the Convertible Notes up to 4:00 p.m. (Hong Kong time) on the day immediately prior to and exclusive of the Maturity Date
“Conversion Price”	the initial conversion price of HK\$0.15 per Conversion Share upon the exercise of the conversion rights attaching to the Convertible Notes, subject to adjustments
“Conversion Share(s)”	up to 460,000,000 new Shares falling to be allotted and issued at the Conversion Price upon exercise of the conversion rights attaching to the Convertible Notes
“Convertible Notes”	the 3% convertible notes due 2016 in the principal amount of HK\$69,000,000 to be issued by the Company in favour of the Vendors or their respective nominees at Completion to satisfy the Consideration

“Dato Poh”	Dato Poh Po Lian, the controlling Shareholder within the meaning of the Listing Rules, who is one of the Vendors
“DICJ”	Gaming Inspection and Coordination Bureau of Macau
“Director(s)”	director(s) of the Company
“Encumbrance”	any mortgage, charge, pledge, lien, (otherwise than arising by statute or operation of law), hypothecation or other encumbrance, priority or security interest, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-leaseback arrangement whatsoever over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same
“Enlarged Group”	the Group as enlarged by the Target Company upon Completion
“Group”	the Company and its subsidiaries
“Hong Hock”	Hong Hock Development Company Limited, a limited liability company by shares duly incorporated in Macau
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, formed for the purposes of advising the Independent Shareholders as to the fairness and reasonableness of the terms of the Acquisition and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than Dato Poh, Mr. Sneah and any of their respective associates (including Weike PTE)

“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) who are third party(ies) independent of the Company and its connected persons
“Landmark Site”	the VIP Legend Casino and other gaming areas located at the Macau Landmark Building
“Last Trading Date”	23 May 2013, being the last trading date of Shares immediately before the issue of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the People’s Republic of China
“Maturity Date”	the third anniversary of the date of issue of the Convertible Notes
“Mr. Sneah”	Mr. Sneah Kar Loon, the Chairman of the Board, an executive Director, and one of the directors of the Target Company
“Noteholder(s)”	holder(s) of the Convertible Notes
“Perfect Ace”	Perfect Ace Global Limited, a company incorporated in the BVI with limited liability, a direct wholly-owned subsidiary of the Company and one of the Purchasers
“Purchasers”	Perfect Ace and Ace Advantage, being the purchasers under the Agreement
“Sale Shares”	(i) one quota with nominal value of MOP\$24,000 registered in the name of and beneficially owned by Weike PTE; and (ii) one quota with nominal value of MOP\$1,000 registered in the name of and beneficially owned by Dato Poh, together representing the entire issued share capital of the Target Company

“Service Agreement”	the service agreement dated 24 May 2013 entered into between the Target Company and Weike PTE in relation to provision of information technology related services by the Target Company to Weike PTE
“SGM”	the special general meeting of the Company to be convened and held to approve, among other matters, the Acquisition and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of Share(s)
“SJM”	Sociedade de Jogos de Macau, S.A.
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supply and Maintenance Agreement”	the supply and maintenance agreement dated 1 February 2013 entered into between the Target Company and Hong Hock for the supply of slot and multi terminal machines to the slot hall at the Landmark Site
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Target Company”	Weike (G) Management Macau Limited, a commercial company with limited liability by quotas incorporated in Macau and is owned as to 96% and 4% by Weike PTE and Dato Poh respectively
“Target Sites”	two casinos in Macau (other than the Landmark Site)
“Vendors”	Weike PTE and Dato Poh, being the vendors under the Agreement

“Weike PTE”	Weike (G) Management Pte Ltd., a company incorporated in the Cayman Islands with limited liability whose entire issued share capital is owned by Dato Poh, being one of the Vendors
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“MOP\$”	Macau pataca, the lawful currency of the Macau
“%”	per cent.

For the purpose of this announcement, conversion of MOP\$ into HK\$ is based on the exchange rate of MOP\$1 to HK\$1.02. The exchange rate has been used, where applicable, for the purposes of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

By order of the Board
C Y Foundation Group Limited
BALAKRISHNAN Narayanan
Executive Director

Hong Kong, 24 May 2013

As at the date of this announcement, the executive Directors of the Company are Mr. SNEAH Kar Loon, Mr. NG Kwok Lun, Mr. BALAKRISHNAN Narayanan and Mr. LIN Zheyang, the independent non-executive directors are Mr. LAI Hock Meng, Mr. YONG Peng Tak, Mr. IO Rudy Cheok Kei and Mr. GOH Hoon Leum.