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C Y FOUNDATION GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1182)

VERY SUBSTANTIAL DISPOSAL: DISPOSAL OF THE ENTIRE EQUITY INTEREST IN EXPERT GLOBAL INVESTMENTS LIMITED

THE DISPOSAL

The Board is pleased to announce that on 18 June 2013 (after trading hours), the Company and the Purchaser entered into the Disposal Agreement pursuant to which the Purchaser has conditionally agreed to acquire and the Company has conditionally agreed to sell the Sale Share at a cash consideration of RMB110 million (equivalent to approximately HK\$137.5 million).

Completion shall be conditional, among other matters, upon the approval of the Disposal Agreement and the transactions contemplated thereunder by the Shareholders at the SGM.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Disposal are 75% or more, the Disposal constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification, publication and shareholders' approval requirements under Chapter 14 of the Listing Rules. The Board is satisfied that taking into account of the net proceeds from the Disposal, the Remaining Group will not become a cash company within the meaning of the Listing Rules upon Completion.

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Disposal Agreement and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are Independent Third Parties and hence no Shareholder shall be required to abstain from voting at the SGM.

A circular containing, among other things, details of the Disposal Agreement, the valuation report of the Properties, the financial information of the Group and the Disposed Group, the pro forma financial information of the Remaining Group, the notice convening the SGM together with the proxy form and other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 10 July 2013.

THE DISPOSAL

Reference is made to the announcement of the Company dated 6 May 2013 for the entering into the LOI by the Group of in relation to the Disposal. The Board is pleased to announce that on 18 June 2013 (after trading hours), the Company and the Purchaser entered into the Disposal Agreement pursuant to which the Purchaser has conditionally agreed to acquire and the Company has conditionally agreed to sell the Sale Share at a cash consideration of RMB110 million (equivalent to approximately HK\$137.5 million).

The Disposal Agreement

The principal terms of the Disposal Agreement are as follows:

Date

18 June 2013

Parties

Vendor: The Company

Purchaser: Sansheng (China) Limited

The Purchaser is a company incorporated in Hong Kong with limited liability. Mr. Lin Zheyang, the executive Director, introduced the Purchaser and its ultimate beneficial owner to the Company. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, (i) the Purchaser and its ultimate beneficial owner are Independent Third Parties and (ii) the Company and the Directors have no current or prior relationship and business arrangement with the Purchaser and its ultimate beneficial owner save for the entering into the LOI and the Disposal Agreement.

Assets to be disposed

The Sale Share, representing the entire issued share capital of the Disposed Company, which is a wholly-owned subsidiary of the Company as at the date of this announcement. The major assets of the Disposed Group are the Properties.

Upon Completion, the Disposed Group will cease to be the subsidiaries of the Company and its financial results will no longer be consolidated in the Group's financial statements.

The Consideration

The Consideration of RMB110 million (equivalent to approximately HK\$137.5 million) shall be satisfied in cash by the Purchaser to the Company in the following manner:

- (a) as to RMB24 million (equivalent to approximately HK\$30 million) having been paid by the Purchaser as prepayment pursuant to the terms of the LOI before the date of the Disposal Agreement;
- (b) as to RMB31 million (equivalent to approximately HK\$38.8 million) within three days after the date of the Disposal Agreement as further prepayment;
- (c) as to RMB50 million (equivalent to approximately HK\$62.5 million) upon Completion; and
- (d) as to the remaining RMB5 million (equivalent to approximately HK\$6.2 million) within six months after the Completion Date or upon the changes of all legal representatives of the PRC Subsidiaries becoming effective, whichever is earlier.

Interest shall be charged on any delay in payment of the Consideration at the rate of 10% per annum and on a 365 days per year basis.

The Consideration was determined after arm's length negotiations between the Company and the Purchaser. In arriving at the Consideration, the Directors have taken into consideration of various factors including: (i) the adjusted net assets value of the Disposed Group of approximately HK\$153.2 million as at 31 March 2013, (ii) the potential expenses (including any PRC land appreciation tax) that may be borne by the Purchaser in relation to the Disposal, (iii) the preliminary valuation of the Properties of approximately RMB154 million (equivalent to approximately HK\$192.5 million) as at 31 May 2013 conducted by Ascent Partners Valuation Service Limited, an independent firm of professional valuer not connected with the Group, by direct comparison method and (iv) the commercial reasons set out in the paragraph headed "Reasons for and benefits of the Disposal" below.

Despite the Consideration is slightly lower than the adjusted net assets value of the Disposed Group as at 31 March 2013, the Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable and is in the interests of the Company and the Shareholders as a whole given that (i) there is potential saving on the expenses in relation to the Disposal and (ii) the Group will receive immediate cash inflow upon Completion to finance its business development and funding requirement.

Conditions Precedent

Completion is conditional upon:

1. the Shareholders passing at the SGM to be convened an ordinary resolution approving the Disposal Agreement and the transactions contemplated thereunder;
2. all necessary approvals, consents, authorisations and licenses in relation to the sale and purchase of the Sale Share having been obtained and remaining valid; and
3. the Company not being considered by the Stock Exchange as a cash company as a result of the transactions contemplated under the Disposal Agreement.

If any of the above conditions precedent have not been fulfilled at or before 5:00 p.m. on 31 August 2013 or such later date as the parties thereto may agree in writing, the Prepayment shall be refunded to the Purchaser, together with an interest calculated at 10% per annum on the principal amount of the Prepayment commencing from the respective payment dates of the Prepayment, by the Company as soon as possible within three Business Days and the Disposal Agreement shall cease and determine in which event no party shall have any obligations and liabilities thereunder (save for the confidentiality provision) save for any antecedent breaches of the terms thereof.

Completion

Completion shall take place on the Completion Date.

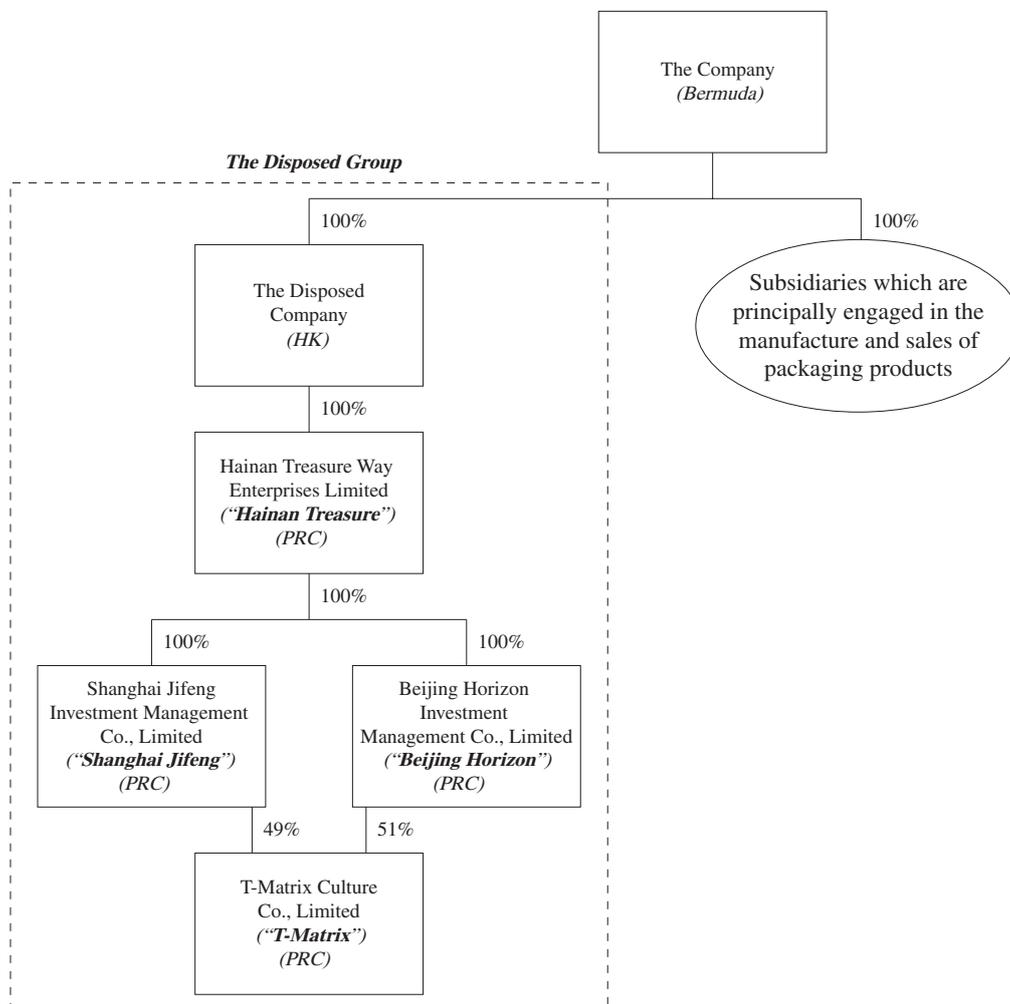
Outstanding litigation, liabilities and receivables of the Disposed Group

The Disposal Agreement provides that the Company shall be entitled to handle all outstanding litigation involving the Disposed Group prior to Completion and that the Purchaser shall procure the Disposed Group to render all necessary assistance to the Company. As at the date of this announcement, the Disposed Group has two outstanding litigations in which the Disposed Group is the plaintiff of both cases. The first case is an action by the Group against Mr. Cheng Chee Tock Theodore (the former Director) for the return and delivery of the documents and chops belonging to the Disposed Group and all the legal fee and costs incurred. This case is scheduled to be re-trialed in July 2013. The second case is an action by the Group against Jiang Su Dong Hai Hua Yu Enterprises Company Ltd. (江蘇東海華宇實業有限公司) and Mr. Zheng You Xin (謝佑新) as the guarantor, for outstanding receivables in the sum of approximately RMB30 million. This case has been mediated and the defendant was ordered to repay approximately RMB24 million to the Disposed Group. Up to the date of this announcement, only approximately RMB5 million has been recovered and approximately RMB18.8 million is still outstanding. The Disposed Group is enforcing the judgment.

It is agreed among the parties in the Disposal Agreement that the Purchaser shall pay (or shall procure the Disposed Group to pay) to the Company all receivables (including any judgment debts) of the Disposed Group as at the Completion Date collected after Completion, and that the Company shall pay and honour all liabilities and obligations of the Disposed Group incurred before the Completion Date. In this regard, the Purchaser undertakes that it shall use its best endeavours after Completion to render all necessary assistance to the Company, at the expense of the Company, to chase and deal with the receivables (including any receivables which have been written off as bad and doubtful debts) of the Disposed Group as at the Completion Date, and to cooperate and consult with the Company to deal and settle with all outstanding liabilities of the Disposed Group incurred prior to the Completion.

INFORMATION OF THE DISPOSED GROUP

The corporate structure of the Disposed Group as at the date of this announcement is as follows:



The Disposed Company

The Disposed Company is a wholly owned subsidiary of the Company incorporated in Hong Kong with limited liability. It is an investment holding company.

Hainan Treasure Way Enterprises Limited (海南寶瀛實業有限公司)

Hainan Treasure is a wholly foreign owned enterprise established in the PRC and is wholly-owned by the Disposed Company. It is principally engaged in holding its investment in Shanghai Jifeng and Beijing Horizon.

Shanghai Jifeng Investment Management Co., Limited. (上海基豐投資管理有限公司)

Shanghai Jifeng is a company incorporated in the PRC and is wholly-owned by Hainan Treasure. It is principally engaged in holding its investment in 49% registered capital in T-Matrix.

Beijing Horizon Investment Management Co., Limited (北京豪升融通投資管理有限公司)

Beijing Horizon is a company incorporated in the PRC and is wholly-owned by the Disposed Company. It is principally engaged in holding its investment in 51% registered capital in T-Matrix.

T-Matrix Culture Co., Limited (零度聚陣文化有限公司)

T-Matrix is a company incorporated in the PRC and is owned as to 49% and 51% by Shanghai Jifeng and Beijing Horizon respectively. It is principally engaged in property investment and operating digital entertainment business. The major assets of T-Matrix are the Properties. It also owns an Internet Cafe Chain License (全國網吧連鎖企業認定證書) in the PRC to operate the digital entertainment business.

Financial information of the Disposed Group

Set out below is a summary of the consolidated financial information of the Disposed Group prepared in accordance with Hong Kong Financial Reporting Standards as extracted from the audited results of the Group for the each of the two years ended 31 March 2012 and 2013:

	For the year ended 31 March 2012	For the year ended 31 March 2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	11,895	12,892
Other income	130	19
Profit before tax	3,480	8,131
(Loss)/Profit after tax	(2,433)	3,965

As at 31 March 2013, the consolidated net assets of the Disposed Group as extracted from the audited consolidated balance sheet of the Group were approximately HK\$143.4 million.

The adjusted net assets value of the Disposed Group of approximately HK\$153.2 million as at 31 March 2013 as mentioned in the above section headed “The Consideration” is arrived at as follows:

	As at 31 March 2013 <i>HK\$'million</i>
Consolidated net assets of the Disposed Group as extracted from the audited consolidated balance sheet of the Group	143.4
<i>Add:</i> Waiver of inter-company balances due to the Remaining Group	13.2
<i>Less:</i> Assets to be retained by the Remaining Group	<u>(3.4)</u>
Adjusted net assets value of the Disposed Group	<u><u>153.2</u></u>

INFORMATION ABOUT THE PROPERTIES

In 2007, the Group acquired the Properties for investment purpose and its office use in Beijing and afterwards, the Group leased out the Properties and the Properties have become the investment properties of the Group. They are situated at Units 1601-1603, 1605-1612, 1615-1623 and 1625-1626, on Level 16, No. 7 Jiaguo Mennei Dajie, Dongcheng District, Beijing, the PRC. Currently, the building that the Properties situated is known as Bright China Chang An Building (光華長安大廈), which is a 21-storey office building including 4 basement levels and was completed in about 1996. The total gross floor area of the Properties is approximately 3,764.1 square meters. As 31 March 2013, the audited carrying value of the Properties was approximately HK\$190.3 million and based on the preliminary independent valuation of the Properties, the valuation of the Properties was approximately RMB154 million (equivalent to approximately HK\$192.5 million) as at 31 May 2013.

The Properties are currently leased to 10 tenants, which include banking, airline services, engineering and logistic companies for rental income, and has an occupancy rate of approximately 100% as at the date of this announcement. The term of tenancies of the Properties is ranging from 5 months to 3 years.

Rental income, gain on changes in fair value and net profit or loss attributable to the Properties before and after taxation, which are calculated net of the government rates, management fee and all other outgoings, utility charges and improvements, as extracted from the audited results of the Group for each of the two years ended 31 March 2012 and 2013 were as follows:

	For the year ended 31 March 2012	For the year ended 31 March 2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental income less outgoings	7,530	9,782
Gain on changes in fair value	14,375	13,842
Net profit/(loss) (excluding gain on changes in fair value)		
– before taxation	(493)	3,403
– after taxation	(493)	3,403

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in the manufacturing and sales of packaging products, operating digital entertainment business and property investment.

Over the past few years, the Group recorded unsatisfactory financial performance with loss making results, the management of the Group has been continuing to review the existing businesses and financial position of the Group from time to time and strives to improve the business operation and financial position of the Group.

On 24 May 2013, the Company announced that it has entered into a conditional sale and purchase agreement with Dato Poh Po Lian, the controlling shareholder of the Company, and Weike (G) Management Pte Ltd., a company wholly-owned by Dato Poh Po Lian, to acquire the entire equity interest in Weike (G) Management Macau Limited (“**Weike Macau**”) at a consideration of HK\$69 million (the “**Acquisition**”) to diversity into the business of management of the electronic gaming equipment. Subject to completion of the Acquisition, the Group is prepared to devote sufficient resources to develop the new business with potential so as to generate new source of income.

Hence, the Directors consider that the Disposal presents a good opportunity for the Group to realise its investment in the Disposed Group and to provide considerable cash resources to the Group to increase its working capital and/or funding for developing the new business and financing the future funding needs of the Group.

Based on the above, the Directors (including the independent non-executive Director) consider that the entering into and the terms of the Disposal Agreement and transactions contemplated thereunder are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

Immediately after Completion, the Remaining Group will still be principally engaged in the manufacture and sales of packaging products. As at the date of this announcement, save for the Acquisition, the Board has no present intention, negotiation or arrangement or undertaking to dispose of or cease or curtail the Group's packaging products business or to acquire new business. Nevertheless, the Board will continue to explore any investment opportunities in order to expand and/or diversify the Group's business for the benefit of the Shareholders.

EXPECTED GAIN FROM THE DISPOSAL

For illustration purpose, an expected gain of approximately HK\$11.5 million (being the amount by which the Consideration adds the reclassification of exchange reserve of approximately HK\$27.9 million (the "**Reclassification**") and deducts (i) the estimated transaction costs of approximately HK\$0.7 million and (ii) the adjusted net assets value of the Disposed Group of approximately HK\$153.2 million as at 31 March 2013) is expected to arise from the Disposal. The Reclassification represents the reclassification of the cumulative amount of the exchange differences relating to the Disposed Group from equity to profit or loss when the expected gain on the disposal is recognised, which is adopted in accordance with paragraph 48 of the Hong Kong Accounting Standard 21.

USE OF PROCEEDS FROM THE DISPOSAL

The net proceeds from the Disposal to be received by the Group is approximately HK\$136.8 million, which is arrived at after deducting the estimated professional fees and other relevant expenses of approximately HK\$0.7 million relating to the Disposal. The Group intends to apply (i) approximately HK\$50 million for expansion of the business of Weike Macau upon completion of the Acquisition (the "**Fund**"), (ii) approximately HK\$20.6 million for repayment of the Idea Sino Convertible Bonds and the accrued interest which is due on 26 July 2013 and (iii) the remaining for the general working capital of the Group. If the Acquisition is not materialised, the Group intends to apply the Fund for general working capital of the Group and/or for other investment(s) as the Board considers appropriate.

As at 31 March 2013, the Group recorded audited total assets of approximately HK\$240.9 million, including bank and cash balances of approximately HK\$28.8 million. It is estimated that the Remaining Group would have total assets amounting to approximately HK\$188.2 million immediately upon Completion, among which the cash retained by the Remaining Group immediately upon Completion is estimated to be approximately HK\$168.0 million. The percentage of cash to total assets would then be approximately 89.3% immediately upon Completion.

As (i) the Company's assets will not consist wholly or substantially of cash immediately upon Completion, which includes assets retained under the packaging products business segment, (ii) the cash will be applied for expansion of the business of Weike Macau, (iii) fixed assets of the Group are expected to increase upon completion of the Acquisition and (iv) the Company will repay the Idea Sino Convertible Bonds on or about 26 July 2013, the Directors are of the view that, immediately after the Disposal, the Company will not be a "cash company" as described under Rule 14.82 of the Listing Rules.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Disposal are 75% or more, the Disposal constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification, publication and shareholders' approval requirements under Chapter 14 of the Listing Rules. The Board is satisfied that taking into account of the net proceeds from the Disposal, the Remaining Group will not become a cash company within the meaning of the Listing Rules upon Completion.

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Disposal Agreement and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are Independent Third Parties and hence no Shareholder shall be required to abstain from voting at the SGM.

A circular containing, among other things, details of the Disposal Agreement, the valuation report of the Properties, the financial information of the Group and the Disposed Group, the pro forma financial information of the Remaining Group, the notice convening the SGM together with the proxy form and other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 10 July 2013.

DEFINITIONS

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

“Board”	the board of Directors
“Business Days”	a day (other than a Saturday or a Sunday) on which licensed banks in Hong Kong are generally open for business in Hong Kong throughout their normal business hours
“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 sale and purchase of the Sale Share in accordance with the terms and conditions of the Disposal Agreement
“Completion Date”	the date falling the next Business Day after all conditions precedent to the Disposal Agreement have been fulfilled
“connected person(s)”	has the same meaning ascribed thereto in the Listing Rules
“Consideration”	the consideration for the Disposal in the sum of RMB110 million (equivalent to approximately HK\$137.5 million)
“Director(s)”	director(s) of the Company
“Disposal”	the proposed disposal of the entire issued share capital of the Disposed Company pursuant to the terms of the Disposal Agreement
“Disposal Agreement”	the conditional sale and purchase agreement dated 18 June 2013 entered into between the Company as vendor and the Purchaser as purchaser in relation to the Disposal

“Disposed Company”	Expert Global Investments Limited (寶瀛國際投資有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company prior to Completion
“Disposed Group”	the Disposed Company and the PRC Subsidiaries
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Idea Sino Convertible Bonds”	the convertible bonds issued by the Company to Idea Sino Limited in the principal amount of HK\$20,000,000
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) are third parties independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LOI”	the letter of intent entered into between the Purchaser and the Company dated 6 May 2013 in relation to the Disposal, as disclosed in the announcement of the Company dated 6 May 2013
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region and Taiwan
“PRC Subsidiaries”	Hainan Treasure Way Enterprises Limited (海南寶瀛實業有限公司), Shanghai Jifeng Investment Management Co., Limited (上海基豐投資管理有限公司), Beijing Horizon Investment Management Co., Limited (北京豪升融通投資管理有限公司) and T-Matrix Culture Co., Limited (零度聚陣文化有限公司), all being wholly owned subsidiaries of the Disposed Company

“Prepayment”	the part of the Consideration paid by the Purchaser to the Company in accordance with the terms of the Disposal Agreement prior to Completion in the aggregate amount of RMB55 million (equivalent to approximately HK\$68.8 million)
“Properties”	22 office units, including Units 1601-1603, 1605-1612, 1615-1623 and 1625-1626, on Level 16 of a 21-storey office building situated at No. 7 Jiaguo Mennei Dajie, Dongcheng District, Beijing, the PRC
“Purchaser”	Sansheng (China) Limited, a company incorporated in Hong Kong with limited liability
“Remaining Group”	the Group after Completion (i.e. excluding the Disposed Group)
“Sale Share”	one share of HK\$1 in the issued share capital of the Disposed Company, representing the entire issued share capital of the Disposed Company
“SGM”	the special general meeting of the Company to be convened and held to approve, among other matters, the Disposal Agreement 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)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

For the purpose of this announcement, conversion of RMB into HK\$ is based on the exchange rate of RMB1 to HK\$1.25. The exchange rate has been used, where applicable, for the purposes of illustration only and does not constitute a representation that any amount is or may have been exchanged at this or any other rates or at all.

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

Hong Kong, 18 June 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.