THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in C Y Foundation Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of C Y Foundation Group Limited.

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) NOTICE OF SPECIAL GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

Nuada Limited

Corporate Finance Advisory

A notice convening the special general meeting ("**SGM**") of the Company to be held at 6/F. – Tin Hau Function Room, L'hotel Causeway Bay Harbour View Hong Kong, 18 King's Road, Causeway Bay, Hong Kong on 9 August 2013, Friday, at 11:00 a.m. is set out on pages 140 to 142 of this circular.

Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy for use at the SGM in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and, in any event, not later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting thereof should you so wish.

18 July 2013

CONTENTS

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"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 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
"Announcement"	announcement of the Company dated 24 May 2013 in relation to, among other matters, 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 Day"	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 Day 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 payable by the Group for the Acquisition in an aggregate amount of HK$69 million
"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 upon exercise of the conversion rights attaching to the Convertible Notes
"Convertible Notes"	the 3% convertible notes due 2016 in 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"	the Direcção de Inspecção e Coordenação de Jogos (the Gaming Inspection and Coordination Bureau), a department of the public administration of Macau
"Director(s)"	the 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 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 Financial Adviser" or "Nuada"	Nuada Limited, a corporation licensed to conduct type 6 (advising on corporate finance) regulated activity as defined under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to the fairness and reasonableness of the terms of the Agreement and 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) are third party(ies) independent of the Company and its connected persons

"Landmark Site"	the Casino VIP Legend and other gaming areas located at the Macau Landmark Building
"Last Trading Date"	23 May 2013, being the last trading date of Shares before the issue of the Announcement
"Latest Practicable Date"	15 July 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Macau"	the Macau Special Administrative Region of the PRC
"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)"	a holder or 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
"PRC"	the People's Republic of China, which for the purpose of this circular, shall exclude Hong Kong, Macau Special Administrative Region and Taiwan
"Purchasers"	Perfect Ace and Ace Advantage, being the purchasers for the Acquisition

"Sale Shares"	(i) one quota with nominal value of MOP24,000 registered in the name of and beneficially owned by Weike PTE; and (ii) one quota with nominal value of MOP1,000 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
"SFO"	Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong
"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, providing for, among other things, the installation and servicing of the slot machines in the casinos and other gaming areas 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$"	Hong Kong dollars, the lawful currency of Hong Kong
"MOP"	Macau pataca, the lawful currency of the Macau
"RMB"	Renminbi, the lawful currency of the PRC
"US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent.

For the purpose of this circular, conversion of MOP into HK$ is based on the exchange rate of MOP1.02 to HK$1, conversion of US$ into HK$ is based on the exchange rate of US$1 to HK$7.75 and conversion of RMB into HK$ is based on the exchange rate of RMB1 to HK$1.25. The exchange rates have been used, where applicable, for the purposes of illustration only and do not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

C Y FOUNDATION GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1182)

Executive Directors:
Mr. SNEAH Kar Loon
Mr. BALAKRISHNAN Narayanan
Mr. NG Kwok Lun
Mr. LIN Zheying

Independent Non-executive Directors:
Mr. LAI Hock Meng
Mr. YONG Peng Tak
Mr. IO Rudy Cheok Kei
Mr. GOH Hoon Leum

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
Unit 3503B-5, 35th Floor
148 Electric Road
North Point
Hong Kong

18 July 2013

To the Shareholders

Dear Sir/Madam,

(1) MAJOR AND CONNECTED TRANSACTION INVOLVING THE ISSUE OF CONVERTIBLE NOTES; AND (2) NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement. The Board is pleased to announce that on 24 May 2013, 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 Company will seek a specific mandate from the Shareholders at the SGM for the issue and allotment of the Conversion Shares.

This circular contains (i) details of the Agreement and the transactions contemplated thereunder; (ii) the terms of the Convertible Notes; (iii) the accountant's report of 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 convening the SGM and a form of proxy.

THE AGREEMENT

The principal terms of the Agreement are as follows:

Date

24 May 2013

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 the Latest Practicable Date. 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 MOP24,000 Sale Shares and MOP1,000 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. The Valuer issued the final valuation report in relation to the valuation of 100% equity interest of the Target Company as at 30 April 2013 of approximately HK$69 million (the "**Valuation**"), which is equal to the Preliminary Valuation.

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

After discussing with the Valuer and reviewing the Valuation, the Directors are of the view that the Valuation prepared by the Valuer has been made after due and careful enquiry. The finalized valuation report, including details of the assumptions, basis and methodology of the Valuation, is set out in Appendix V(A) to this circular. A letter from the Company's auditor and the confirmation from the Directors with respect to the Valuation as required under Rule 14.62 of the Listing Rules are set out in Appendix V(B) to this circular.

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 circular; and (iii) the Consideration is in line with the 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 all relate to regulatory requirement and thus are not waivable). Even though condition (12) above is waivable, the Acquisition will not be affected since the Agreement will become unconditional (if all other conditions have been fulfilled (or waived as the case may be) and the parties will be bound to proceed to Completion where the Vendors are still obliged to sign all the transfer documents to effect the transfer of the Sale Shares to the Purchasers. Having said that, the Group has no intention to waive any conditions above. If any of the conditions precedent set out in above has 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. As at the Latest Practicable Date, conditions 5, 8 and 9 have been satisfied and none of the conditions has been waived.

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 alteration 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 or 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 at any one time in compliance with 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 registered in its name into Shares provided further that any conversion shall be made in amounts of not less than a whole multiple of HK$1,000,000 on each conversion save that if at any time the aggregate outstanding principal amount of the Convertible Note is less than HK$1,000,000, the whole (but not part only) of the outstanding principal amount of the Convertible Note may be converted.

	Upon receiving a conversion notice, the Company shall be entitled, with the consent of the relevant Noteholder, to redeem the whole amount of the Convertible Note to be converted at 100 per cent. of 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:	Subject to the consent of the Noteholder, 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 Latest Practicable Date, 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).

Prior to exercise of the conversion rights attaching to the Convertible Notes, the issue of the Convertible Notes will not result in a change of control of 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;

(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**"); and

(e) a discount of approximately 29.9% to the closing price of HK$0.214 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

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 then prevailing market price of the Shares and the then 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 ON 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. Weike PTE and Dato Poh are the founders of the Target Company. It has a share capital of MOP25,000 divided into two quotas, as to one quota with nominal value of MOP24,000, representing 96% of the issued share capital, held by Weike PTE; and as to one quota with nominal value of MOP1,000, representing 4% of the issued share capital, held by Dato Poh as at the Latest Practicable Date. 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 the Supply and Maintenance Agreement dated 1 February 2013 with Hong Hock, an Independent Third Party, among other things, to install and provide services to the 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. The Target Company supplies customer-centric turnkey solutions for Macau operations, which involves the provision, installation and management of slot machines and the provision of all related services as a complete package to Hong Hock.

In return, Hong Hock is responsible to, among other things, 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 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. As advised by the legal adviser to the Macau Law, the Supply and Maintenance Agreement is legally enforceable and the required approvals from the DICJ have been obtained.

In consideration of the installation of slot machines and provision of operational and technical services and staff, Hong Hock agrees to pay to the Target Company a monthly performance bonus, being 70% of the net income (the "**Net Income**") for the given month from the slot hall in the Landmark Site (the "**Slot Hall**"), in the event that Hong Hock's share of the monthly Net Income exceeds HK$700,000. The Net Income is calculated as deducting the operational expenses incurred by Hong Hock in connection with the Slot Hall from Hong Hock' share of 40% of the gross gaming revenue derived from the Slot Hall. DICJ charges gaming tax of 40% on the gross gaming revenue derived from the Slot Hall and SJM shares the remaining 20% gross gaming revenue derived from the Slot Hall.

In addition, the Target Company will also receive up to seven hotel room nights, on a monthly basis, if after deducting the value of these hotel room nights based on the daily prevailing rate, Hong Hock will not receive less than HK$700,000.

Furthermore, the Target Company has guaranteed Hong Hock that it will receive a minimum of HK$700,000 per month and has agreed to make up for any shortfall from this amount.

As at the Latest Practicable Date, 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 services under the Supply and Maintenance Agreement of approximately MOP1.78 million (equivalent to approximately HK$1.75 million), and the recorded cost for the provision of services for the recorded revenue is approximately MOP5.45 million (equivalent to approximately HK$5.34 million), which mainly includes the staff cost of the technical and management team, the office administrative expenses, profit shared to Hong Hock, marketing and promotional expenses, and the deprecation on the slot machines.

As advised by the legal adviser to the Macau Laws that; (i) the Supply and Maintenance Agreement is legally enforceable and Hong Hock has obtained the necessary approvals from the DICJ, (ii) there is no specific provision under Macau laws that requires that the Target Company to obtain any licenses to carry out its business in Macau and; (iii) the Target Company is enabled to carry out the provision of services as set out in the Supply and Maintenance Agreement and therefore is not required to obtain any type of licenses.

Service Agreement

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.

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.

Details of the Service Agreement were set out in the section headed "Proposed Continuing Connected Transactions" in the Announcement.

Business model

The main business of the Target Company is to provide services to the casino operators to install and service electronic gaming machines in the gaming areas of the casinos by entering into the service agreements. It installs electronic gaming machines and a monitoring system in casinos, and provides managerial and technical staff to service the electronic gaming operations. The Target Company shall receive periodical performance bonus payments from each casino operator according to the respective terms of the service agreements with reference to the net income generating from the electronic gaming machines in casino sites.

The Target Company also handles the marketing activities for the casino sites and creates different marketing campaigns catered to each casino site in accordance to the market needs. Marketing campaigns range from daily, weekly and monthly promotions in order to attract customers to visit the casino sites. The Target Company is committed to providing high quality, reliable and customer-centric services and turnkey solutions for Macau operations.

To the best knowledge, information and belief of the Directors, the Target Company is negotiating with other casino operators to enter into new service agreements for provision of its services to other potential casino sites, but the terms and conditions are yet to be agreed by both parties. The Target Company has not entered into any letter of intent or contract with other casinos operators for provision of service to other potential casino sites as of the Latest Practicable Date.

Shareholders of the Target Company

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 thrilling 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, based on the information available to the Directors:

(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 biography 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 audited 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**	
	(audited)	**(audited)** *Equivalent to approximate*	**(audited)**	**(audited)** *Equivalent to approximate*
	MOP'000	*HK$'000*	*MOP'000*	*HK$'000*
Turnover	–	–	1,781	1,746
Other income	5,004	4,906	8,421	8,256
Loss before tax	(34)	(33)	(3,672)	(3,600)
Loss after tax	(34)	(33)	(3,672)	(3,600)

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 audited net liabilities of the Target Company were approximately MOP3,775,000 (equivalent to approximately HK$3,701,000) including an amount due to a related company of the Target Company of approximately MOP14,223,000 (equivalent to approximately HK$13,944,000), which is unsecured, bears interest at the rate of 5% per annum and repayable upon demand. It also recorded audited net current liabilities of approximately MOP40,731,000 (equivalent to approximately HK$39,932,000).

Given the Target Company recorded net current liabilities and net liabilities as at 31 March 2013, the reporting accountant of the Company included a paragraph headed "Emphasis of matter – going concern basis" in the accountant's report of the Target Company, which is set out in Appendix II to this circular. Despite the above, the Directors consider that the Enlarged Group including the Target Company (i) will be able to generate sufficient operating cash flows to finance its working capital and capital expenditure requirements for at least the next twelve months from the date of this circular after taking into account of the financial resources available to the Enlarged Group including the Enlarged Group's internally generated funds, the currently available facilities and in the absence of unforeseen circumstances; and (ii) will not record any going concern issue.

Upon Completion, the amount due to a related company by the Target Company will 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.

INDUSTRY OVERVIEW

Overview of Macau gaming industry

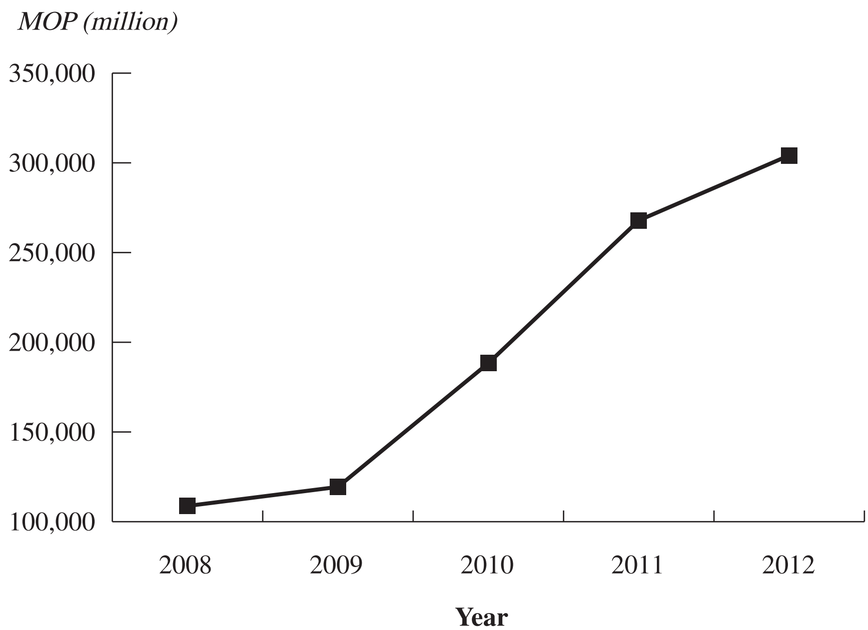
Macau has been one of the most rapidly growing economies in Asia since the liberalization of the gaming industry in 2002 and it is also the only territory within China where casino operations have been legalised. According to the DICJ, approximately 28 million visitors arrived in Macau in 2012, of which approximately 16.9 million, or 60.4%, were visitors from mainland China. Gaming patrons can reach Macau in a relatively short period of time by various means of transportation, including by car, bus, high-speed ferry or helicopter from Hong Kong and Guangdong Province and by air from elsewhere in China and other Asian countries. The easy access from major population centers to Macau by the diverse means of transportation facilitates Macau's development as a popular gaming entertainment destination in Asia. The gaming entertainment industry is the most important contributor to Macau economy, with approximately 87.3% of Macau's GDP in 2012 being derived from gaming industry. The following table sets forth the percentage for gaming revenue to Macau's GDP from 2008 to 2012:

	2008	**2009**	**2010**	**2011**	**2012**
Gaming revenue *(MOP million)*	108,772	119,369	188,343	267,867	304,139
GDP in Macau *(MOP million)*	166,270	170,170	226,940	295,050	348,220
%	65.4%	70.1%	83.0%	90.8%	87.3%

Source: DICJ and Direcção dos Serviços de Estatística e Censos (Statistics and Census Service)

According to DICJ, for the first quarter of 2013, Macau had 35 casinos operated by three concessionaires and three sub-concessionaires. The gross revenue generated from Games of Fortune in Macau reached approximately MOP304 billion (equivalent to approximately HK$298 billion) in 2012, which was increased by more than 13% compared to that of 2011. The following chart shows the gaming revenue of Macau between 2008 and 2012:

Gross revenue generated from Games of Fortune in Macau between 2008 and 2012



Source: *DICJ*

Demand for slot machine gaming services

Gambling on slot machines is one of the most popular gambling methods in casinos, which falls into the mass market gambling segment. There are more than 16,000 slot machines in Macau in 2012, and their share of the overall gaming revenue from Games of Fortune has grown to approximately 4.4%. According to DICJ, in 2012, the gross revenue from slot machine gaming reached approximately MOP13,244 million (equivalent to approximately HK$12,984 million) and increased by approximately about 16% compared to that of 2011.

Following the granting new concessions in 2002 and the Chinese Government's implementation of Individual Visit Scheme in 2003, Macau's gaming industry has witnessed significant growth in mass market casino gaming operations including slot machine gaming. The following table set out a breakdown of revenue derived from various casino gaming segments in Macau for the periods indicated:

Gaming revenue derived from VIP, mass market table and slot machine gaming segments for 2008 to 2012

	2008	**2009**	**2010**	**2011**	**2012**
VIP gaming *(MOP million)*	73,772	79,834	135,648	196,126	210,850
% of change (year on year)	–	8.2%	69.9%	44.6%	7.5%
Mass market table gaming *(MOP million)*	29,347	33,032	44,077	60,316	80,045
% of change (year on year)	–	12.6%	33.4%	36.8%	32.7%
Slot machine gaming *(MOP million)*	5,653	6,503	8,618	11,425	13,244
% of change (year on year)	–	15.0%	32.5%	32.6%	15.9%

Source: DICJ

Competition

Competition among the service providers of slot machines in Macau is fierce. Competitors range from small, localized companies to large, multi-national corporations, several of which have substantial resources. As at the 31 May 2013, there were 35 slot lounges in Macau. They compete for space on the floors of casinos, including obtaining favorable placement of their slot machines, as well as for capital spending from their customers. Competition is primarily based on the amount of profit on their slot machines generate for casinos. Additionally, competition focuses on player appeal, brand recognition, and the strength of the underlying intellectual property of their products.

The features of slot machines which allow table players to enjoy slot benefits like bonus play, accumulation of player loyalty points, lowering of the minimum bet, faster game play, etc. In addition, the Target Company offers progressive jackpot and allows players to switch between and play different games at the same time.

The following are the description on some of the major players providing management of electronic gaming equipment services in Macau.

Mocha Clubs

Mocha Clubs is one of the subsidiaries of Melco International Development Limited ("**Melco**") (Stock code: 200) and is principally engaged in the operation of gaming machines across ten locations, comprises one of the largest non-casino-based operations in Macau. All the clubs provide electronic gaming tables and slot machines. Mocha Clubs venues are uniquely designed and decorated to be stylish and trendy, couples with the comfortable ambience of a café. In addition, each club has its own unique theme to cater to the distinct needs of visitors. According to the annual report 2012 of Melco, Mocha Clubs generated net operating revenue of approximately US$143.3 million (equivalent to approximately HK$1,110.6 million) and adjusted EBITDA of approximately US$36.1 million (equivalent to approximately HK$279.8 million) in 2012. In 2012, the number of gaming machines in operation at the Mocha Clubs averaged approximately 2,100. The net win per gaming machine per day was US$183 (equivalent to approximately HK$1,418.3) for the fourth quarter of 2012.

Silver Heritage Limited ("Silver Heritage")

Silver Heritage, a regional gaming company operates few casinos and undergoes a number of new casino development projects across Asia-Pacific including Macau, Philippines, Vietnam, Northern Marianas, Cambodia, Laos and on cruise ships touring international waters. Silver Heritage provides turnkey leasing and revenue sharing solutions for casinos across Asia Pacific which requires electronic gaming floors, and works with the world's leading slot machine manufacturers and casino suppliers to provide casinos with electronic gaming equipment. Silver Heritage also operates to source, renovate and trade old gaming equipment.

RISK FACTORS

The Directors have identified the following risks associated with the business of the Target Company:

Reliance on the Supply and Maintenance Agreement

Currently, revenue of the Target Company is generated from provision of services under the Supply and Maintenance Agreement entered into with Hong Hock. Hong Hock has entered into an agreement with SJM, who is the concessionaire to hold the gaming concession in Macau, to operate gaming service at the Landmark Site. Since SJM is the concessionaire and the ultimate licensed operator of the Landmark Site, it has the power to make any changes in respect of the management and operation of Landmark Site, including to terminate and refuse to renew the business arrangement with Hong Hock. The SJM concession might also be terminated by the Macau government after the expiry of the term of the concession in 2020. Such changes are beyond the control of the Target Company and may affect the existing business arrangement under the Supply and Maintenance Agreement.

Should the arrangement under the Supply and Maintenance Agreement is adversely affected, the business of the Target Company would be substantially affected. To minimise the risk to rely on the Supply and Maintenance Agreement, the Target Company is actively negotiating with other potential customers for new agreements so as to boarden the customer and income sources.

Theoretical win rates for slot machines depend on a variety of factors

The gaming industry is characterized by an element of chance. In addition to the element of chance, theoretical win rates are also affected by other factors, including volume of bets played and the amount of time players spend on gambling. These factors, alone or in combination, have the potential to negatively impact the Target Company's win rates, which may materially and adversely affect the business, cash flow, financial condition, results of operations and prospects of the Target Company.

Net losses, net liabilities and risk arising from the minimum return guarantee arrangement

The Target Company recorded audited loss after tax of approximately MOP34,000 (equivalent to approximately HK$33,000), MOP34,000 (equivalent to approximately HK$33,000) and MOP3,672,000 (equivalent to approximately HK$3,600,000) for each of the three years ended 31 March 2011, 2012 and 2013 respectively. It also recorded audited net liabilities of approximately MOP3,775,000 (equivalent to approximately HK$3,701,000) as at 31 March 2013.

In addition, under the Supply and Maintenance Agreement, the Target Company guarantees Hong Hock to receive a minimum monthly return from the slot hall and make up for any shortfall, there can be no assurance that the Target Company will generate profit and sufficient funding to meet its liabilities and meet the minimum monthly return guarantee to Hong Hock in future. If the Target Company could not improve its performance, it could negatively affect the Enlarged Group's liquidity and may adversely affect the business operation and financial performance of the Enlarged Group.

Continued service of key management personnel, labour shortages and increase in labour cost

Macau provides a relatively limited market for the supply of worker and experienced management personnel. Competition for such personnel is intense and likely to intensify and the labour costs increase continuously. The ability to maintain the competitive position of the Target Company is dependent to a large degree on the continued service of its key management personnel. If the Target Company loses the services of any of its key management personnel or is not able to control its labour costs, it could also have a material and adverse effect on its business.

The Target Company faces intense competition in Macau

The gaming and gaming-related businesses in Macau are highly competitive and the Target Company encounters intense and increasing competition from other service providers with extensive experience, a well-established presence in the management of slot machines or a stronger management and technical support team. If the Target Company does not compete effectively with its competitors, its business, cash flow, financial condition, results of operations and prospects may be materially and adversely affected.

Regulatory or governmental policies that affect the Macau gaming industry could change

Gaming operations in Macau are regulated by the Macau Government. The gaming laws and regulations of Macau continue to develop and evolve. For example, the Macau Government has recently implemented Administrative Regulation 26/2012 regarding the supply of the slot machines. A court or administrative or regulatory body may render an interpretation of these laws and regulations, or an administrative body may issue new or modified regulations. In addition, new laws or revisions to existing laws may impose more obligations on the Target Company, requiring it to expend significant compliance costs and efforts.

Accordingly, regulatory changes with respect to the gaming industry may have a material and adverse effect on the Target Company's business and results of operations or require the Target Company to incur significant compliance costs.

POSSIBLE FINANCIAL EFFECTS OF THE ACQUISITION ON THE GROUP

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and its financial results of the Target Company will be consolidated into the financial statements of the Company. Set out below is a summary of the unaudited pro forma financial information of the Group before Completion and the Enlarged Group after Completion, prepared on the bases set out in Appendix IV to this circular:

	The Group before Completion *(HK$'000)*	**Enlarged Group after Completion** *(HK$'000)*
Total assets	240,878	336,230
Total liabilities	70,320	143,713
Net assets	170,558	192,517
Gearing ratio	11.56%	34.68%

In light of the future prospects of the Target Company, the Directors are of the view that the Acquisition would likely have a positive impact on the future turnover and earnings of the Enlarged Group.

As the above information is for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the results and financial position of the Enlarged Group for any future financial periods or dates.

REASONS FOR AND BENEFITS OF THE ACQUISITION

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 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 MOP13,244 million (equivalent to approximately HK$12,984 million), and increased by about 15.9% compared to that of in 2011 of approximately MOP11,425 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 (including the independent non-executive Directors but excluding Mr. Sneah who abstained from voting due to conflict of interest) consider that the terms of the Agreement 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 Latest Practicable Date; 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 Latest Practicable Date		**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)**	
	Number of shares	*Approximate %*	*Number of shares*	*Approximate %*
Luck Continent Limited	324,626,412	31.06%	324,626,412	21.57%
Vendors	–	0.00%	460,000,000	30.56%
	324,626,412	31.06%	784,626,412	52.13%
Steady Enterprises Limited *(Note 1)*	174,217,758	16.67%	174,217,758	11.57%
Mr. Sneah Kar Loon *(Note 2)*	3,300,000	0.31%	3,300,000	0.22%
Mr. Io Rudy Cheok Kei *(Note 3)*	2,000,000	0.19%	2,000,000	0.13%
	179,517,758	17.17%	179,517,758	11.92%
Public Shareholders	541,162,378	51.77%	541,162,378	35.95%
Grand total	1,045,306,548	100.00%	1,505,306,548	100.00%

Notes:

(1) To the best knowledge, information and belief of the Directors, Steady Enterprises Limited is owned by Mr. 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 Latest Practicable Date, 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 notes issued by the Company to Idea Sino Limited due on 6 August 2013 (the "**Idea Sino Convertible Notes**") 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 subjected to adjustments as a result of the Convertible Notes upon Completion. The Company has been informed by Idea Sino Limited that it will not exercise the conversion rights attached to the Idea Sino Convertible Notes before its maturity date and that it exempts the Company's obligation to adjust the conversion price according to the terms of the Idea Sino Convertible Notes. The Company will apply part of net proceed from disposal of the subsidiaries of the Group as announced on 18 June 2013, approximately HK$20.6 million for repayment of the Idea Sino Convertible Notes and the accrued interest on or about 6 August 2013.

(5) The percentages are subject to rounding error.

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 (by virtue of his beneficial interest in approximately 31.06% of the existing issued share capital of the Company as at the Latest Practicable Date), 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.

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 0.31% of the issued share capital of the Company as at the Latest Practicable Date, 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.

Saved as disclosed above, to the best of the Directors' knowledge, information and belief of the Company as at the date of the Latest Practicable Date, the Company is not aware of any Shareholder who has a material interest in the Acquisition.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprises Mr. Lai Hock Meng, Mr. Yong Peng Tak, Mr. Io Rudy Cheok Kei and Mr. Goh Hoon Leum, all being the independent non-executive Directors. It has been established to advise the Independent Shareholders as to the fairness and reasonableness of the Agreement and the transactions contemplated thereunder.

Nuada Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder.

SGM

The SGM will be held at 11:00 a.m. on 9 August 2013, Friday at 6/F. – Tin Hau Function Room, L'hotel Causeway Bay Harbour View Hong Kong, 18 King's Road, Causeway Bay, Hong Kong for the purpose of considering, and if thought fit, approving the Agreement and the transactions contemplated thereunder. The notice convening the SGM is set out on pages 140 to 142 of this circular and a form of proxy for use at the SGM is also enclosed with this circular. To be valid, the enclosed form of proxy, together with any power of attorney or other authority under which it is signed must be completed in accordance with the instructions printed thereon and delivered to the Hong Kong share registrar and transfer office of the Company, Tricor Secretaries Services Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting.

The completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjourned meeting in person if you so wish and in such case, the form of proxy previously submitted by such member(s) shall be deemed to be revoked.

RECOMMENDATIONS

The Board considers the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable and in the interest of the Company and the Shareholders as a whole and accordingly recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM for approving, among other things, the Agreement and the transactions contemplated thereunder.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and accordingly recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM for approving the Agreement and the transactions contemplated thereunder.

GENERAL INFORMATION

Your attention is drawn to the letter of advice from the Independent Financial Adviser set out on pages 36 to 59 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in connection with the Agreement and the transactions contemplated thereunder and the letter from the Independent Board Committee set out on page 35 of this circular which contains its recommendation to the Independent Shareholders in relation to the Agreement and the transactions contemplated thereunder.

FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

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

C Y FOUNDATION GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1182)

To the Independent Shareholders

Dear Sir and Madam,

MAJOR AND CONNECTED TRANSACTION INVOLVING THE ISSUE OF THE CONVERTIBLE NOTES

We refer to the circular to the Shareholders dated 18 July 2013 (the "**Circular**") of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been authorised by the Board to form the Independent Board Committee to advise the Independent Shareholders on whether the terms of the Agreement and transactions contemplated thereunder are on normal commercial terms, fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

We wish to draw your attention to the letter from the Board set out in pages 7 to 34 of the Circular and the letter from Nuada, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Agreement and the transactions contemplated thereunder, set out on pages 36 to 59 of the Circular.

Having considered the factors and reasons considered by and the opinion of Nuada stated in its letter of advice in the Circular, we are of the view that the terms of the Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Independent Board Committee

Mr. Lai Hock Meng
Independent non-executive Director

Mr. Io Rudy Cheok Kei
Independent non-executive Director

Mr. Yong Peng Tak
Independent non-executive Director

Mr. Goh Hoon Leum
Independent non-executive Director

The following is the full text of the letter of advice to the Independent Board Committee and Independent Shareholders from the Independent Financial Adviser dated 18 July 2013 prepared for incorporation in this circular.

Nuada Limited
Corporate Finance Advisory

19th Floor, BLINK, 111 Bonham Strand
Sheung Wan, Hong Kong
香港上環文咸東街 111 號 BLINK 19 字樓

18 July 2013

*To the Independent Board Committee
and the Independent Shareholders
of C Y Foundation Group Limited*

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION INVOLVING THE ISSUE OF THE CONVERTIBLE NOTES

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreement, details of which are set out in the letter from the Board (the "**Letter**") contained in the circular to the Shareholders dated 18 July 2013 (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 24 May 2013 (after the 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.

As one or more of the applicable percentage ratios in respect of the Acquisition exceed 25% but are all 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 Latest Practicable Date), 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.

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.

Dato Poh and his associates (including Weike PTE) will abstain from voting in respect of the resolutions 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 0.31% of the issued share capital of the Company as at the Latest Practicable Date, and also one of the directors of the Target Company, he had abstained from voting in respect of the resolutions approving the Acquisition at the Board meeting and will abstain from voting in respect of the resolution approving the Acquisition at the SGM.

Mr. Lai Hock Meng, Mr. Yong Peng Tak, Mr. Io Rudy Cheok Kei and Mr. Goh Hoon Leum, have been appointed by the Board to form the Independent Board Committee to advise and make recommendation to 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).

We, Nuada Limited, have been appointed by the Independent Board Committee as the independent financial adviser to give our independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether 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) are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned; and (ii) how the Independent Shareholders should vote on the relevant resolutions to approve the Acquisition at the SGM.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information, opinions and representations contained or referred to in the Circular and the information, opinions and representations provided to us by the management of the Company and the Directors. We have assumed that all information, opinions and representations contained or referred to in the Circular and all information, opinions and representations which have been provided by the management of the Company and the Directors, for which they are solely and wholly responsible, were true, accurate and complete at the time when they were made and continue to be so as at the Latest Practicable Date. Should there be any subsequent material changes which occurred during the period from the Latest Practicable Date and up to the date of the SGM and would affect or alter our opinion, we will notify the Independent Board Committee and the Independent Shareholders as soon as possible.

Accordingly, we have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and representations contained in the Circular and provided to us by the Company and the Directors, or the reasonableness of the opinions expressed by the management of the Company and the Directors. The Directors collectively and individually accept full responsibility for the accuracy of the information in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in the Circular misleading. Furthermore, we relied on the Company that it has provided us with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have relied on such information and opinions but have not, however, conducted any independent in-depth investigation into the business, financial conditions and affairs or the future prospects of the Group nor have we considered the taxation implication on the Group or the Shareholders as a result of the Acquisition.

Principal Factors and Reasons Considered

In arriving at our recommendation in relation to the terms of the Agreement, we have considered the following principal factors and reasons:

1. Reasons for and benefits of the Acquisition

a. Background information of the Target Company

The Target Company is a commercial company with limited liability by quotas incorporated in Macau on 3 June 2009 and principally engaged in the supply and management of the electronic gaming equipment and provision of information technology service 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.

On 1 February 2013, the Target Company entered into a Supply and Maintenance Agreement with Hong Hock, an Independent Third Party, among other things, to install and provide services related to the slot machines (the "**Target Business**") 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, details of which are set out in the section headed "Supply and Maintenance Agreement" in the Letter. As confirmed by the Directors, Hong Hock is authorized by SJM to own, for and on behalf of Weike PTE, the slot machines operation at Landmark Site. In addition, the Target Company and Weike PTE entered into the Service Agreement on 24 May 2013, details of which are set out in the section headed "The Continuing Connected Transactions" in the Announcement.

Set out below are the audited consolidated financial results of the Target Company for each of the two years ended 31 March 2012 and 2013 as extracted from Appendix II of the Circular:

	For the year ended 31 March 2012		For the year ended 31 March 2013	
	(audited)	**(audited)**	**(audited)**	**(audited)**
		Equivalent to approximate		*Equivalent to approximate*
	MOP'000	*HK$'000*	*MOP'000*	*HK$'000*
Turnover	–	–	1,781	1,746
Other income	5,004	4,906	8,421	8,256
Loss before tax	(34)	(33)	(3,672)	(3,600)
Loss after tax	(34)	(33)	(3,672)	(3,600)

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.

The Supply and Maintenance Agreement with Hong Hock enables the Target Company to enter into the new scope of the business and provides new source of income to the Target Company. Although the Target Company made a loss of approximately HK$3.6 million for the year ended 31 March 2013, as advised by the Company and according to the audited accounts of the Target Company, the loss for the year ended 31 March 2013 (with operation since 10 February 2013) was mainly due to the initial set up cost of the slot machines and sales and marketing expense for the promotion of the slot machines at the Landmark Site. In addition, the Target Company is expected to generate positive cash flow to the Company in subsequent years as the aforesaid initial set up cost is one-off event and the Target Company will be able to achieve the economies of scale through its established platform and professional technology services team. As such, we concur with the Directors that the Acquisition represents an opportunity for the Group to engage in the slot machine related business in Macau. The Target Company also recorded audited net liabilities of approximately MOP3,775,000 (equivalent to approximately HK$3,701,000) as at 31 March 2013, details of which will be discussed under the section headed "Uncertainties associated with the Target Business".

b. Overview of the gaming industry in Macau

According to DICJ, in 2012, the gross revenue from slot machine gaming reached approximately MOP13,244 million (equivalent to approximately HK$12,984 million), and increased by about 16% compared to that of in 2011 of approximately MOP11,425 million (equivalent to approximately HK$11,201 million).

According to "Macau Gaming Summary" prepared by University of Nevada, Las Vegas, the number of slot machine has increased significantly from 808 in 2002 to 16,585 in 2012. Also the win per slot per day has increased from approximately US$97.91 in 2002 to approximately US$272.73 in 2012.

Win Per Slot

Year	**Number of slot machine**	**Slot Win** *(MOP million)*	**Win/Slot** *(MOP)*	**Win/Slot** *(US$)*	**Win/ Slot/Day** *(US$)*
2002	808	231	285,891.09	35,736.39	97.91
2003	814	236	289,926.29	36,240.79	99.29
2004	2,254	640	283,939.66	35,492.46	96.97
2005	3,421	1,250	365,390.24	45,673.78	125.13
2006	6,546	2,053	313,626.64	39,203.33	107.41
2007	13,267	3,594	270,897.72	33,862.21	92.77
2008	11,856	5,653	476,804.99	59,600.62	162.84
2009	14,363	6,503	452,760.57	56,595.07	155.05
2010	14,450	8,618	596,401.38	74,550.17	204.25
2011	16,056	11,425	711,572.00	88,946.50	243.69
2012	16,585	13,244	798,552.91	99,819.11	272.73

Source: the website of DICJ

Frank Frhrenkopf, president and CEO of the American Gaming Association (AGA), predicted that Macau's gaming revenue may reach US$44.5 billion (approximately MOP356 billion), representing a growth of approximately 11.7%, more than six times of that of Las Vegas. As such, based on the above information, we are of the view that the prospect of the gaming industry in Macau is positive.

c. Background information of the Company

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

The table below tabulates the financial results of the Group for each of the two years ended 31 March 2013 as extracted from the Group's annual results announcement for the financial year ended 31 March 2013 (the "**Annual Results**").

	For the year ended 31 March	
	2013	**2012**
	HK$'000	*HK$'000*
Turnover	66,894	157,157
Gross profit for the year	11,547	46,752
Loss of the year	65,206	74,786
Loss per share – basic	HK7.75 cents	HK9.96 cents

As stated in the Annual Results, the Group recorded a decrease in revenue by approximately 57.4% from approximately HK$157.2 million for the year ended 31 March 2012 to approximately HK$66.9 million for the year ended 31 March 2013. Loss for the year attributable to owners of the Company amounted to approximately HK$65.2 million (2012: approximately HK$74.8 million). As stated in the Annual Results, the significant decrease in revenue of the Group for the year was mainly attributable to the significant revenue reduction in the manufacturing and sale of packaging product business, which represents approximately 62.7% decrease when compare to HK$144.9 million in 2012.

Over the past few years, the Group recorded unsatisfactory financial performance with loss making results. As stated in the Annual Results, the loss of the Company were approximately HK$198.7 million, HK$83.5 million, HK$304.4 million, HK$74.8 million and HK$65.2 million for the five years ended 31 March 2013. 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. In this connection, the Company has signed the sales and purchase agreement and conditionally agreed to acquire the entire equity interest of the Target Company. In addition, on 18 June 2013, the Company has entered into the sale and purchase agreement with Sansheng (China) Limited, to dispose the entire issued share capital of Expert Global Investments Limited, details of which are set out in the Company's announcement dated 18 June 2013, which part of the net proceeds of the aforesaid disposal, being approximately HK$50 million, will be applied for business expansion of the Target Company upon completion of the Acquisition.

Having considered (i) the business of the Target Company; (ii) the prospect of the gaming industry in Macau; and (iii) the factors set out in the paragraph headed "Reasons for and benefits of the Acquisition" in the Letter, we are of the view that the Acquisition is in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the Agreement

a. Basis of the consideration

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.

We have reviewed and discussed with the Valuer, who issued the valuation report of the Target Company (the "**Valuation Report**") which has been included in Appendix V(A) to the Circular, the appraisal approaches and assumptions set out in the Valuation Report, and are of the view that they are reasonably prepared. Further details can be found in the paragraph headed "Valuation Report" below. Compared to the fair value of the Target Company, which is approximately HK$69 million as stated in the Valuation Report as at 30 April 2013, the Consideration is the same as the fair market value of the Target Company.

b. Payment method

Convertible Notes

As stated in the Letter, 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.

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 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.

The Convertible Notes are interest bearing with three years maturity. The Noteholder has the right at any time during the conversion period to convert the whole or part of the outstanding principal amount of the Convertible Notes (in a whole multiple of HK$1,000,000). The detailed terms of the Convertible Notes are set out in the paragraph headed "Convertible Notes" in the Letter. To assess the fairness and reasonableness on the terms of the Convertible Notes we would like to focus on the following terms:

(i) Conversion Price

The Conversion Price of HK$0.15 per Conversion Share 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 then prevailing market price of the Shares and the then prevailing market performance. The Conversion Price represents:

(i) a discount of approximately 28.6% over the closing price of HK$0.21 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 32.4% over the average closing price of approximately HK$0.222 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day;

(iii) a discount of approximately 25.4% to the average closing price 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 Day;

(iv) a discount of approximately 29.9% to the closing price of HK$0.214 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(v) a premium of approximately 2.7% over the average closing price of approximately HK$0.146 as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day (the "**30-day Average Price**"); and

(vi) a discount of approximately 8.09% to the net assets value of HK$0.1632 per Share based on the Group's net assets value as at 31 March 2013.

The highest and lowest closing prices and the average daily closing price of the Share as quoted on the Stock Exchange in each month during the period commencing from 24 May 2012, being one year prior to entering into the Agreement, up to and including the Last Trading Day (the "**Review Period**") are shown as follows:

Month	**Highest closing price** *(HK$)*	**Lowest closing price** *(HK$)*	**Average daily closing price** *(HK$)*
2012			
May *(Note)*	–	–	–
June *(Note)*	–	–	–
July *(Note)*	0.547	0.467	0.511
August	0.493	0.220	0.318
September	0.180	0.120	0.145
October	0.140	0.111	0.131
November	0.130	0.098	0.109
December	0.150	0.133	0.141
2013			
January	0.148	0.121	0.129
February	0.125	0.107	0.117
March	0.119	0.103	0.111
April	0.125	0.098	0.113
May (up to and including the Last Trading Day)	0.26	0.12	0.175

Source: www.hkexnews.hk

Note: The trading in Shares was suspended from 24 May 2012 to 16 July 2012 (both dates inclusive)

As shown in the table above, the average daily closing price of the Share ranged from HK$0.109 to HK$0.511 per Share. The Conversion Price falls within the range of the average daily closing price and is generally above the average closing price of the Share, under the Review Period. In addition, the Conversion Price represents (i) a discount of approximately 72.58% to the highest closing price of the Share; and (ii) a premium of approximately 53.06% over the lowest closing price of the Share. Also, from the table above, we can see that the Conversion Price is higher than most of the average daily closing price during the Review Period.

Although the issue of the Convertible Notes may dilute the shareholding of the existing Shareholders and subject to the interest burden, details of which will be discussed in the paragraph below, given that (i) the Conversion Price has generally been higher than the daily closing price of the Share, 147 days out of 194 trading days during the Review Period; and (ii) the issue of the Convertible Notes does not constitute immediate cash outlay from the Company which as a result is in favor to the Company's financial position, we are of the view that the issue of Convertible Notes is fair and reasonable. Even though the Conversion Price represents a slight discount to the net assets value per Share as at 31 March 2013, taken into account the average daily closing price of the Shares under the Review Period has always been lower than the Group's net assets value per Share as at 31 March 2013, we are of the view that the Convertible Price at a discount to the Group's net assets value per Share as at 31 March 2013 is acceptable.

(ii) the interest of the Convertible Notes

The Company is obligated to pay 3% interest rate per annum on the outstanding principal amount to the Noteholder on half-yearly basis. 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.

To assess the fairness and reasonableness of the interest rate, we intend to compare the interest rate of the Convertible Notes to the prime lending rate offered by the commercial banks in Hong Kong. In Hong Kong, the prime lending rate is the average rate of interest charged on loans by commercial banks to private individuals and companies.

According to the information obtained from the website of the Hong Kong Monetary Authority, the prime rate in Hong Kong remained unchanged at 5 percent per annum in March and April of 2013, which is higher than the interest rate for the Convertible Notes. As such, we consider that the interest rate adopted in the Convertible Notes is justifiable.

(iii) the comparable analysis

Apart from making relevant analysis on the Conversion Price and the interest rate of the Convertible Notes, we have further looked into the recent issue of convertible notes/bonds by the companies listed on the Main Board of the Hong Kong Stock Exchange (the "**Main Board**") which have made announcements for a period from 24 February 2013 up to and including 24 May 2013 (the "**Comparables**"), being three months prior to entering into the Agreement. We have identified 20 Comparables and believe that these Main Board listed issuers are more comparable with the Company in terms of size. Besides, as the terms of the Comparables are determined under similar market conditions and sentiments (a three months period prior to the date of the Announcement) as those of the Convertible Notes, we consider that the Comparables are fair and representative samples. Set out below is the summary of the Comparables considered in our analysis:

	Company name (stock code)	Date of announcement	Term Years	Annual interest rate	Premium/ (Discount) of the conversion price over/(to) closing price per share on the last trading day prior to announcement	Premium/ (Discount) of the conversion price over/ (to) closing price per share on the last 5 trading day prior to announcement
				%	%	%
1	Hengan International Group Company Limited (1044)	21/5/2013	5	0	35.00	39.60
2	United Gene High-Tech Group Limited (399)	15/5/2013	10	0	(8.05)	(8.05)
3	China Daye Non-ferrous Metals Mining Limited (661)	9/5/2013	5	0.5	28.21	30.21
4	King Stone Energy Group Limited (663)	1/5/2013	3	0	86.30	85.80
5	Mongolia Investment Group Limited (402)	29/4/2013	5	0	(1.96)	(0.64)
6	Tonic Industries Holdings Limited (978)	24/4/2013	Perpetual	0	(44.50)	(42.30)
7	Man Wah Holdings Limited (1999)	17/4/2013	5	5	14.58	17.76
8	Applied Development Holdings Limited (519)	16/4/2013	5	5	(17.65)	(17.06)

	Company name (stock code)	Date of announcement	Term Years	Annual interest rate	Premium/(Discount) of the conversion price over/(to) closing price per share on the last trading day prior to announcement	Premium/(Discount) of the conversion price over/(to) closing price per share on the last 5 trading day prior to announcement
				%	%	%
9	Zhuhai Holdings Investment Group Limited (908)	10/4/2013	5	5	21.95	25.00
10	Sino Oil and Gas Holdings Limited (702)	3/4/2013	3	2	19.29	13.61
11	Siberian Mining Group Company Limited ("**SMGC**") (1142) *(Note 1)*	3/4/2013	5	0	19,900.00	16,982.00
12	China South City Holdings Limited (1668)	1/4/2013	5	6.5	20.00	21.12
13	Sun Innovation Holdings Limited (547)	28/3/2013	2	0	(66.10)	(64.41)
14	Warderly International Holdings Limited (607)	21/3/2013	5	2	(89.58)	(89.36)
15	China Financial Services Holdings Limited (605)	15/3/2013	2	10	(15.25)	(16.67)
16	Capital VC Limited (2324)	11/3/2013	1	10	33.33	42.05
17	Lisi Group (Holdings) Limited (526)	4/3/2013	3	3	(6.25)	(1.64)
18	The Hong Kong Building and Loan Agency Limited (145)	28/2/2013	2.8	0	(49.06)	(43.51)
19	Extrawell Pharmaceutical Holdings Limited (858)	27/2/2013	20	0	(1.34)	(2.83)
20	EPI (Holdings) Limited (689)	26/2/2013	2	8	0.53	(2.56)
	Max.:			10	86.30	85.80
	Min.:			0	(89.58)	(89.36)
	Mean:			3	(2.13)	(0.73)
	The Company:			3	(28.60)	(32.40)

Source: www.hkexnews.hk

Note:

(1) The data of the convertible notes issued by SMGC is considered of extreme values and is therefore excluded from our analysis above.

Based on the above illustration, the discount/premium represented by the conversion price per share issued by respective Comparables to (i) their respective closing prices on the last trading day before the release of the relevant announcements ranged from a discount of approximately 89.58% to a premium of approximately 86.30%, with a mean of discount of approximately 2.13%; and (ii) their respective closing prices on the last 5 trading days before the release of the relevant announcements ranged from a discount of approximately 89.36% to a premium of approximately 85.80%, with a mean of discount of approximately 0.73%. The Conversion Price, which represents a discount of approximately 28.60% to the closing price of the Shares on the Last Trading Date and a discount of approximately 32.40% to the average closing price the Shares on the last 5 trading days prior to announcement, is hence within the aforesaid market range. In addition, the interest rate of 3% of the Convertible Notes equals to the mean interest rate of the Comparables and, hence, is within the aforesaid market range. Even though the Conversion Price represents a slight discount to the net assets value per Share as at 31 March 2013, taken into account the major terms of the Convertible Notes (i.e. interest rates and the premium/discount of the Conversion Price over/to closing price per Share on the last trading day prior to announcement) fall within the market range of the Comparables, we are of the view that the major terms of the Convertible Notes are fair and reasonable.

We have also reviewed the other terms of the Convertible Notes and are not aware of any terms which are uncommon to normal market practice. Accordingly, we consider that the terms of the Convertible Notes are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

3. Valuation Report

The Company has engaged the Valuer, a specialist valuation firm providing valuation and advisory services, as the independent valuer for the valuation on the fair value of the Target Company. The Valuation Report is attached as Appendix V(A) to the Circular. We have discussed with the Valuer in relation to their experiences and understood that they have participated in valuing Macau gaming business for listed companies in Hong Kong, we, therefore consider that they are qualified to provide a reliable valuation of the Target Company. We also discussed with the Valuer in relation to their terms of engagement, in particular, their scope of work, and considered that their scope of work is appropriate to the opinion required to be given and there is no limitation on the scope of work which might adversely impact on the degree of assurance given by them in the Valuation Report.

In assessing the fairness and reasonableness of the Valuation Report, we have studied the valuation methodology, basis of valuation and assumptions underlying the Valuation Report.

a. Valuation methodology

It is stated in the Valuation Report that the Valuer had considered three generally accepted valuation approaches (i.e. cost approach, market approach and income approach) and decided to adopt the income approach. According to the valuation report, income approach is employed based on the projection of future cash flows provided primarily by the Company. The firm value of the Target Company has been developed through the application of the market value weighted-average-cost-of-capital (WACC) to discount the free cash flows to the firm.

b. Valuation and assumptions

We have discussed with the Valuer and the management of the Company regarding the valuation methodology of the valuation, the forecast of the future income prepared by the Directors and the underlying assumptions of the valuation as stated in the Valuation Report. After discussion with the Valuer, we understand that in the process of valuing the Target Company, the Valuer has taken into consideration the uniqueness of the Target Company's operation and the industry in which it is participating. Having considered the three general valuation methodologies, the Valuer believed that the income approach would be appropriate and reasonable in the appraisal of the market value of the Target Company. On the other hand, the market approach is not appropriate because there were insufficient data on market transactions of companies in the same industry available for analysis and comparison. Unlike market and income approaches which either incorporate market sentiments or future earnings capacity of an asset as a function to determine its current value, cost approach considers the fundamental cost it takes to form the asset. In the Valuer's opinion this method is inapplicable to the current analysis as there is no convincing association of the market value of the subject asset with its cost. Therefore, we concur with the Valuer's view that the income approach is the most appropriate valuation methodology.

We have discussed with the Valuer regarding the factors taken into account in estimating the future cash flows of the Target Company (the "**Future Cash Flows**") and the determination of the discount rate adopted under the discounted cash flow methodology adopted in such valuation. We have been advised that the Future Cash Flows were calculated on the basis of free cash flow from operation, being the operating cash flow minus the sum of net change in working capital and total capital expenditure. We have reviewed the forecast of the future income and concur with the Valuer that such forecast of the future income has been properly compiled in accordance with the assumptions made by the Directors which have been made with due care and consideration and made on an objective and a reasonable basis. We, however, express no opinion on the actual results of the Future Cash Flows. The Independent Shareholders should also note the uncertainty in relation to the Target Business as discussed under the section headed "Uncertainties associated with the Target Business" below.

We also understand that the discount rate applied to the Future Cash Flows is based on the weighted-average-cost-of-capital (the "**WACC**"), which is formulated at the cost of equity and cost of debt. The WACC of approximately 15.76%, representing the required rate of return of the Acquisition, comprises the cost of equity, using the Capital Asset Pricing Model taking into account the aggregate of market risk premium, risk free interest rate and market return of approximately 12.45%, and the cost of debt of 5%. The discount rate also takes into account the size premium.

Apart from relying on the Valuer, we have identified 14 listed companies in the Stock Exchange which are participating in the gaming industry in Macau which includes companies providing lottery and betting services on a best effort basis for comparison purpose. However, none of these listed companies operates the exactly same business as the Target Company which is the management of the electronic gaming equipment. In fact, most of aforesaid listed companies are the owners and operators of casinos and gaming facilities. In addition, we have tried to identify the transaction comparable to the Acquisition among aforesaid 14 listed companies in a recent time period (i.e. 1 year prior to the Announcement); but we could not find any relevant transaction comparable to the Acquisition among these companies which is available for analysis and comparison. As none of these companies is directly comparable to the Target Company in terms of their businesses, services diversification, and operating scale according to their annual report respectively, we concur with the view of the Valuer that the market approach may not be appropriate in the valuation of the Target Company as stated in the Valuation Report.

Based on our review of the Valuation Report and discussion with the Valuer regarding, among other things, (i) the scope of work and assumptions of the valuations; (ii) the valuation basis, including the Future Cash Flows, the applied methodologies, in particular the discount rate adopted under the discounted cash flow method; and (iii) the due diligence work performed by the Valuer in preparing the Valuation Report, we consider that the bases, assumptions and methodologies adopted by the Valuer in the Valuation Report are appropriate and have been made with due care and consideration and on a reasonable basis.

c. *Uncertainties associated with the Target Business*

We consider that there are uncertainties associated with the future prospect of the Target Business and these uncertainties mainly include:

(i) as advised by the Company, the forecasted revenue of the slot machines is based on the theoretical win rates for slot machines which depend on a variety of factors, some beyond the management's control. The gaming industry is characterized by an element of probability. The theoretical win rates are affected by other factors, including players' skill and experience, the mix of games played, volume of bets played and the amount of time players spend on gambling. These factors, alone or in combination, have the potential to negatively impact the Target Company's win rates, which may materially and adversely affect the business, cash flow, financial condition, results of operations and prospects of the Target Company;

(ii) the Target Company relies on its existing key management team and technicians. Competition for such personnel is intense and likely to intensify and the labour costs increase continuously. The ability to maintain the competitive position of the Target Company is dependent to a large degree on the continued service of such employees. If the Target Company loses the services of any of its key management personnel or technicians, it could also have a material and adverse effect on its business; and

(iii) the Target Company has been assumed to continue as a going concern notwithstanding the net current liabilities and net liabilities of the Target Company as at 31 March 2013 amounting to approximately MOP40,731,000 and MOP3,775,000. Shareholders should note that if the Target Company neither performs as well as the forecasted nor be able to generate sufficient operating cash flow to finance its working capital, it could negatively affect the Enlarged Group's liquidity and may adversely affect the business operation and financial performance of the Enlarged Group.

Since we cannot predict whether the aforesaid risks would occur or not, we are not able to opine on it. Accordingly we would like to point out the potential uncertainties associated with the Target Business to the Independent Shareholders as stated above. However, we are of the view that as (i) the Consideration is equal to the value of the Target Company as stated in the Valuation Report; and (ii) the reasons for entering into the Acquisition as stated in the section headed "Reason for and the benefit of the Acquisition" above, the Acquisition is justifiable.

4. Other Financing Alternatives

We have made enquires towards the Directors and are advised that the Company has not considered alternative financing methods including, among other matters, application of term loan from financial institutions, issuance of bonds, and other forms of equity financing to finance the Consideration. Given that the designated payment was suggested by the Vendors (i.e. issue of the Convertibles Notes by the Company to the Vendors) and the Conversion Price is fair and reasonable, and therefore the Company did not consider other alternative financing methods.

In view of the fact that (i) the interest rate of the Convertible Notes is lower than the prime lending rate offered by the commercial banks in Hong Kong and we believe such interest rate is also lower than the interest rates obtained from banks based on the recent financial performance of the Group (loss making for the past two financial years); (ii) the convertible notes of HK$20,000,000 which were issued by the Company in last year, details of which are set out in Company's announcement dated 27 July 2012, will be matured on 6 August 2013 and the issue of the Convertible Notes does not constitute immediate cash outlay from the Company which as a result is in favor to the Company's financial position; (iii) among those equity financing alternatives, the issue of the Convertible Notes will not constitute immediate dilution effect to the Shareholders and provide a flexibility to the Company to redeem the Convertible Notes at a fixed rate of 100% of its principal amount at any time before the Maturity Date by serving at least ten days' prior written notice to the Noteholder; and (iv) the terms of the Convertible Notes are fair and reasonable, we concur with the Directors that to settle the Consideration by way of the issue of the Convertible Notes is in the interest of the Company and the Shareholders as a whole.

5. *Financial effects of the Acquisition*

Appendix IV to the Circular sets out various analyses on the potential financial effects of the Acquisition on the Group, where were prepared based on the audited financial information of the Group and the accountant's report of the Target Company for the financial year ended 31 March 2013. It should be noted that the figures and financial impact shown in this section are for illustrative purpose only.

Net Assets and Earnings

As set out in the unaudited pro forma statement of assets and liabilities of the Enlarged Group in Appendix IV to the circular, the total assets of the Enlarged Group as at 31 March 2013 will increase from HK$240,878,000 to HK$336,230,000 as a result of the Acquisition, meanwhile, the total liabilities of the Enlarged Group as at 31 March 2013 will increase from HK$70,320,000 to HK$143,713,000. Therefore, the net assets of the Enlarged Group will increase by HK$21,959,000 to HK$192,517,000. Upon Completion, the Target Company will become a wholly-owned subsidiary of the Group, and the results of the Target Company will be consolidated to the Group's accounts. All of the revenue generated by the Supply and Maintenance Agreement and the Service Agreement will be recognised in the consolidated income statement of the Group.

Gearing Ratio

As a result of the Acquisition, the debt ratio, being the total debts divided by the total assets, will increase from approximately 8.19% to 19.86% as at 31 March 2013 because of the issue of the Convertible Notes which are interest bearing securities to the Enlarged Group.

Net Current Assets

As the Acquisition will only increase merely HK$1,455,000 of the current assets of the Enlarged Group and the current liabilities will increase by HK$28,181,000 to HK$66,285,000 due to the consolidation of the trade and other payables and other current liabilities of the Target Group in the financial position of the Enlarged Group, therefore, the net current assets of the Enlarged Group will decrease by HK$26,726,000 to the net current liabilities of HK$17,531,000.

6. *Effect of the Acquisition on the shareholding of the Independent Shareholders*

The following table shows the shareholding structure of the Company (i) as at the Latest Practicable Date; 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 Latest Practicable Date		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)	
	Number of shares	*Approximate %*	*Number of shares*	*Approximate %*
Luck Continent Limited	324,626,412	31.06%	324,626,412	21.57%
Vendors	–	0.00%	460,000,000	30.56%
	324,626,412	31.06%	784,626,412	52.13%
Steady Enterprises Limited *(Note 1)*	174,217,758	16.67%	174,217,758	11.57%
Mr. Sneah Kar Loon *(Note 2)*	3,300,000	0.31%	3,300,000	0.22%
Mr. Io Rudy Cheok Kei *(Note 3)*	2,000,000	0.19%	2,000,000	0.13%
	179,517,758	17.17%	179,517,758	11.92%
Public Shareholders	541,162,378	51.77%	541,162,378	35.95%
Grand total	1,045,306,548	100.00%	1,505,306,548	100.00%

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 Latest Practicable Date, 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 notes issued by the Company to Idea Sino Limited due on 6 August 2013 (the "**Idea Sino Convertible Notes**") 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 subjected to adjustments as a result of the Convertible Notes upon Completion. The Company has been informed by Idea Sino Limited that it will not exercise the conversion rights attached to the Idea Sino Convertible Notes before its maturity date and that it exempts the Company's obligation to adjust the conversion price according to the terms of the Idea Sino Convertible Notes. The Company will apply part of net proceed from disposal of the subsidiaries of the Group as announced on 18 June 2013, approximately HK$20.6 million for repayment of the Idea Sino Convertible Notes and the accrued interest on or about 6 August 2013.

Shareholders and potential investors should note that as a result of the Acquisition and the issue of the Conversion Shares, the shareholdings of public Shareholders may be diluted from approximately 51.78% to approximately 35.96% upon the issue of the Conversion Shares. Taking into account (i) the reasons for and benefits of the Acquisition; and (ii) that the terms of the issue of Convertible Notes are in our opinion fair and reasonable, we consider that the aforementioned levels of dilution to the shareholding interests as a result of the Acquisition is justifiable and the issue of the Conversion Shares is in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Having taken into account our recommendation on the Acquisition above, we consider the terms of the Agreement and the Convertible Notes are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favor of the relevant resolution at the SGM to approve the Acquisition and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Nuada Limited
Kevin Chan
Director

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group (i) for the year ended 31 March 2013 has been disclosed on pages 29 to 106 of the annual report of the Company for the year ended 31 March 2013; (ii) for the year ended 31 March 2012 has been disclosed on pages 24 to 110 of the annual report of the Company for the year ended 31 March 2012; and (iii) for the year ended 31 March 2011 has been disclosed on pages 33 to 138 of the annual report of the Company for the year ended 31 March 2011. All the above reports of the Company have been published on the website of the Stock Exchange (http://www.hkexnews.hk) and the website of the Company (http://www.cyfoundation.com).

2. INDEBTEDNESS OF THE ENLARGED GROUP

As at the close of business on 31 May 2013, being the latest practicable date for the purpose of ascertaining the indebtedness of the Enlarged Group prior to the printing of this circular, the Enlarged Group had total unsecured outstanding borrowings of approximately HK$56,559,000, comprising amounts due to related companies, namely Weike PTE, Weike Gaming Technology (S) Pte Limited, Weike (S) Pte Limited and Weike Leasing (S) Pte Limited of approximately HK$18,192,000, HK$13,974,000, HK$166,000 and HK$4,053,000 respectively, and the unsecured Idea Sino Convertible Notes of approximately HK$20,174,000.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of the business, as at the close of business on 31 May 2013, the Enlarged Group did not have other outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2013, the date on which the latest published audited consolidated financial statements of the Company were made up.

4. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that taking into account of the financial resources available to the Enlarged Group including the Enlarged Group's internally generated funds, the currently available facilities, the estimated net proceeds generated from the proposed disposal of the entire issued share capital of Expert Global Investments Limited and in the absence of unforeseen circumstances, the Enlarged Group will have sufficient working capital for its present requirements, that is for at least the next twelve months from the date of this circular.

5. FINANCIAL AND TRADING PROSPECT OF THE ENLARGED GROUP

The past year has been another difficult year for the Group but the management has stabilized the existing businesses of the Group and is in the process of repositioning the Group by acquiring the Target Company, which is principally engaged in management of electronic gaming equipment in the fast growing mass market gaming sector of Macau.

For the year ended 31 March 2013, the investment properties located in Beijing, the PRC (the "**Properties**") were leased out and generating stable rental income to the Group. On 6 May 2013 and 18 June 2013, the Group has entered a letter of intent and a disposal agreement with an Independent Third Party for the proposed disposal of the entire issued share capital of Expert Global Investments Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company (which together with its subsidiaries) of not less than RMB110 million (equivalent to approximately HK$137.5 million). The major assets of such disposal group are the Properties. If the disposal is materialized, it would make available sufficient liquid resources to the Group for general working capital purposes as well as for expansion plans. Please refer to the announcements of the Company dated 6 May 2013 and 18 June 2013 respectively and the circular of the Company dated 18 July 2013 relating to such disposal for details.

In addition, Kingbox (Asia) Limited, a wholly-owned subsidiary of the Company ("**Kingbox**") making gift boxes for high end watch makers and jewelry, incurred a loss of approximately HK$47.9 million for the year ended 31 March 2013 which is substantially lower than HK$41.2 million loss incurred a year before. The decrease in loss at Kingbox is mainly due to the decrease in the provision made for the goodwill that arose from the acquisition of Kingbox in 2008.

Furthermore, the Group is in the process of pursuing various legal actions for the recovery of Group's assets and incurring a legal cost of HK$5.8 million for the year ended 31 March 2013. The Directors believe that the legal costs will be reduced and may be able to recover at least part of the assets in the coming year.

Expansion plans of the Enlarged Group

Whilst the Group maintains its core business in the manufacturing and sales of packaging products, the Group is now in the process of acquiring the Target Company, which is a mass market gaming company specializing in the management of electronic gaming equipment in Macau.

Macau, which is the only place in China where gambling is legal, has seen its gaming industry grow by double digits in the fast few years. The gaming industry in Macau is also undergoing a structural change whereby the mass market part of the gaming industry, centered on electronic gaming and catering to smaller players, is growing at a much faster rate than the high roller segment.

It is believed that the Target Company is well positioned to benefit from both organic growth as well as the structural change favoring the mass market in the industry.

The Group's eventual plan is to grow the Target Company into a regional player catering to the mass market segment of the electronic gaming industry in Asia. The Directors expect that the Target Company will contribute to the consolidated cash flow and income of the Enlarged Group immediately following Completion.

A. ACCOUNTANT'S REPORT

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from reporting accountant, ANDA CPA Limited, Certified Public Accountants, Hong Kong.

ANDA
CPA Limited
安達會計師事務所有限公司

18 July 2013

The Board of Directors
C Y Foundation Group Limited

Dear Sirs,

We set out below our report on the financial information (the "**Financial Information**") of Weike (G) Management Macau Limited (the "**Target Company**") for each of the three years ended 31 March 2013 (the "**Relevant Periods**") for inclusion in the circular dated 18 July 2013 (the "**Circular**") issued by C Y Foundation Group Limited (the "**Company**") in connection with the proposed acquisition of the entire equity interest in the Target Company (the "**Acquisition**") pursuant to the sale and purchase agreement dated 24 May 2013.

The Target Company was incorporated in Macau with limited liability by quotas on 3 June 2009 and is principally engaged in the management of electronic gaming equipment in Macau.

No audited financial statements of the Target Company have been prepared for the Relevant Periods as there is no statutory audit requirement in the place of its incorporation. For the purpose of this report, the directors of the Target Company have prepared the financial statements of the Target Company for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") (collectively the "**HKFRS Financial Statements**").

We have performed our independent audit on the HKFRS Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have examined the HKFRS Financial Statements in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The Financial Information has been prepared from the HKFRS Financial Statements in accordance with HKFRSs. No adjustments were considered necessary for the purpose of preparing our report for inclusion in the Circular.

The directors of the Target Company are responsible for the preparation of the HKFRS Financial Statements. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the HKFRS Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the state of affairs of the Target Company as at 31 March 2011, 2012 and 2013 and of the results and cash flows of Target Company for the Relevant Periods.

EMPHASIS OF MATTER – GOING CONCERN BASIS

Without qualifying our opinion, we draw attention that the Financial Information has been prepared assuming the Target Company will continue as a going concern notwithstanding the net current liabilities and net liabilities of the Target Company as at 31 March 2013 amounting to approximately MOP40,731,000 and MOP3,775,000. As further detailed in note 3 to the Financial Information, based on a detailed review of the working capital forecast for a 12-month period from the date of this report ("**the Period**"), the directors of the Target Company are of the opinion that the Target Company will be able to generate sufficient operating cash flows to finance its working capital and capital expenditure requirements during the Period. The Target Company's ability to continue as a going concern is dependent on the successful realisation of the underlying key assumptions in relation to the working capital forecast.

B. FINANCIAL INFORMATION

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED 31 MARCH 2011, 2012 AND 2013

		Year ended 31 March		
		2011	**2012**	**2013**
	Notes	*MOP'000*	*MOP'000*	*MOP'000*
Revenue	*6*	–	–	1,781
Cost of services		–	–	(1,263)
Gross profit		–	–	518
Other income	*7*	1,053	5,004	8,421
Operating and administrative expenses		(374)	(1,457)	(5,347)
Depreciation		–	–	(1,337)
Staff costs		(713)	(3,581)	(5,610)
Loss from operations		(34)	(34)	(3,355)
Finance costs	*8*	–	–	(317)
Loss before tax		(34)	(34)	(3,672)
Income tax	*9*	–	–	–
Loss and total comprehensive loss for the year	*10*	(34)	(34)	(3,672)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2011, 2012 AND 2013

		At 31 March		
		2011	**2012**	**2013**
	Notes	*MOP'000*	*MOP'000*	*MOP'000*
Non-current assets				
Property, plant and equipment	*11*	–	–	36,956
Current assets				
Consumable stores		–	–	14
Prepayments, deposits and other receivables	*12*	–	–	1,346
Bank and cash balances	*13*	1,245	1,596	123
		1,245	1,596	1,483
Current liabilities				
Accruals and other payables	*14*	–	–	12,656
Amount due to a related company	*15*	–	–	14,223
Amount due to the ultimate holding company	*16*	1,314	1,699	15,335
		1,314	1,699	42,214
Net current liabilities		(69)	(103)	(40,731)
NET LIABILITIES		(69)	(103)	(3,775)
Capital and reserves				
Share capital	*17*	25	25	25
Reserves		(94)	(128)	(3,800)
TOTAL EQUITY		(69)	(103)	(3,775)

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED 31 MARCH 2011, 2012 AND 2013

	Share capital	Accumulated losses	Total equity
	MOP'000	*MOP'000*	*MOP'000*
At 1 April 2010	25	(60)	(35)
Total comprehensive loss for the year	–	(34)	(34)
At 31 March 2011 and 1 April 2011	25	(94)	(69)
Total comprehensive loss for the year	–	(34)	(34)
At 31 March 2012 and 1 April 2012	25	(128)	(103)
Total comprehensive loss for the year	–	(3,672)	(3,672)
At 31 March 2013	25	(3,800)	(3,775)

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED 31 MARCH 2011, 2012 AND 2013

		Year ended 31 March		
		2011	**2012**	**2013**
	Notes	*MOP'000*	*MOP'000*	*MOP'000*
Cash flows from operating activities				
Loss before tax		(34)	(34)	(3,672)
Finance costs		–	–	317
Depreciation		–	–	1,337
Operating loss before working capital changes		(34)	(34)	(2,018)
Change in consumable stores		–	–	(14)
Change in prepayments, deposits and other receivables		–	–	(1,346)
Change in accruals and other payables	*18*	–	–	1,923
Change in amount due to a related company	*18*	–	–	114
Net cash used in operating activities		(34)	(34)	(1,341)
Cash flows from investing activities				
Purchase of property, plant and equipment	*18*	–	–	(946)
Net cash used in investing activities		–	–	(946)
Cash flows from financing activities				
Change in amount due to the ultimate holding company	*18*	839	385	814
Net cash generated from financing activities		839	385	814
Net increase/(decrease) in cash and cash equivalents		805	351	(1,473)
Cash and cash equivalents at beginning of year		440	1,245	1,596
Cash and cash equivalents at end of year, represented by:				
Bank and cash balances		1,245	1,596	123

NOTES TO FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Target Company is a commercial company with limited liability by quotas incorporated in Macau on 3 June 2009 and registered in the Commercial and Movable Assets Registry of Macau under no. 33552(SO) on 4 June 2009. The address of its registered office is Alameda Carlos D' Assumpcao, ns 411-417, Praca Wong Chio, 19th Floor G Macau.

The Target Company has a share capital of MOP25,000 divided into two quotas, 96% of the issued share capital is held by Weike (G) Management Pte Ltd. ("**Weike PTE**"), a company incorporated in the Cayman Islands, the remaining 4% of the issued share capital is held by Dato Poh Po Lian ("**Dato Poh**"). The entire issued share capital of Weike PTE is owned by Dato Poh. In the opinion of the directors of the Target Company (the "**Directors**"), as at 31 March 2013, Weike PTE is the ultimate holding company.

The Target Company principally engages in the management of electronic gaming equipment in Macau.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

The Target Company had adopted all the HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2012. HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards; and Interpretations.

The Target Company has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Target Company has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material effect on the results of operations and financial position of the Target Company.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Financial Information has been prepared in accordance with HKFRSs. In addition, the Financial Information includes applicable disclosures required by the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Financial Information has been prepared under the historical cost convention. The significant accounting policies applied in the preparation of the Financial Information are set out below.

Functional and presentation currency

The Financial Information is presented in Macau Patacal ("**MOP**"), rounded to nearest thousand which is the presentation and functional currency of the Target Company.

Use of estimates and judgments

The preparation of the Financial Information in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in note 4 to the Financial Information.

Going concern

The Target Company incurred a loss of approximately MOP34,000, MOP34,000 and MOP3,672,000 for the three years ended 31 March 2011, 2012 and 2013, and as at 31 March 2011, 2012 and 2013 the Target Company had net current liabilities of approximately MOP69,000, MOP103,000 and MOP40,731,000 and net liabilities of approximately MOP69,000, MOP103,000 and MOP3,775,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Target Company's ability to continue as a going concern. Therefore, the Target Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Financial Information has been prepared on a going concern basis, the validity of which depends upon the ability of the Target Company to generate sufficient operating cash flows to finance its working capital and capital expenditure requirements based on a detailed review of the working capital forecast of the Target Company for a 12-month period from the date of this report. The Directors are therefore of the opinion that it is appropriate to prepare the Financial Information on a going concern basis. Should the Target Company be unable to continue as a going concern, adjustments would have to be made to the Financial Information to adjust the value of the Target Company's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Target Company are measured using the currency of the primary economic environment in which the Target Company operates (the "**functional currency**"). The Financial Information are presented in MOP, which is functional and presentation currency of the Target Company.

(ii) Transactions and balances in the Target Company's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Leasehold improvements	5 years
Slot machines	5 years
Furniture, fixtures and office equipment	3-5 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Operating leases

Leases that do not substantially transfer to the Target Company all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

Consumable stores

Consumable stores consist primarily of general operating supplies and are stated at the lower of cost and net realisable value. Cost is determined using the first-in first- out method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Target Company becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Target Company transfers substantially all the risks and rewards of ownership of the assets; or the Target Company neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Target Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowances is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Target Company's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Target Company after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Target Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Other payables

Other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Target Company are recorded at the proceeds received, net of direct issue costs.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Target Company and the amount of revenue can be measured reliably.

Income from the management of electronic gaming equipment and other management services are recognised when the services are rendered.

Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Target Company that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Employee benefits

Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

Retirement Benefits Schemes

Full-time employees in Macau SAR are members of government-managed social benefits schemes operated by the Macau SAR government. The Macau SAR operations are required to pay a monthly fixed contribution to the social benefits schemes to fund the benefits. The only obligation of the Target Company with respect to the social benefits schemes operated by the Macau SAR government is to make the required contributions under the schemes.

The Target Company operates a defined contribution retirement scheme for all qualifying employees. The assets of the scheme are held separately under the control of independent trustees. The retirement scheme cost recognised in profit or loss represents contributions payable to the funds by the Target Company at rates specified in the rules of the scheme.

Termination benefits

Termination benefits are recognised when, and only when, the Target Company demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Target Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Target Company intends to settle its current tax assets and liabilities on a net basis.

Related parties

A related party is a person or entity that is related to the Target Company.

a) A person or a close member of that person's family is related to the Target Company if that person:

(i) has control or joint control over the Target Company;

(ii) has significant influence over the Target Company; or

(iii) is a member of the key management personnel of the Target Company or of a parent of the Target Company.

b) An entity is related to the Target Company if any of the following conditions applies:

(i) The entity and the Target Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company. If the Target Company is itself such a plan, the sponsoring employers are also related to the Target Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Impairment of assets

At the end of each reporting period, the Target Company reviews the carrying amounts of its assets except receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Target Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Target Company has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Target Company's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the Financial Information. Events after the reporting period that are not adjusting events are disclosed in the notes to the Financial Information when material.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the Directors have made the following judgements that have the most significant effect on the amounts recognised in the Financial Information apart from those involving estimations, which are dealt with below.

Going concern consideration

The assessment of the going concern assumptions involves making judgements by the management, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The management considers that the Target Company has ability to continue as a going concern and the major events or conditions, which may give rise to business risks that individually or collectively may cast significant doubt about the going concern assumptions are set out in note 3.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Property, plant and equipment and depreciation

The Target Company determines the estimated useful lives, residual values and related depreciation charges for the Target Company's property and plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Target Company will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Recoverability of other receivables

The Target Company makes impairment loss for bad and doubtful debts based on assessments of the recoverability of other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the other receivables and doubtful debt expenses in the year in which such estimate has been changed.

5. FINANCIAL RISK MANAGEMENT

The Target Company's activities expose it to a variety of financial risks: foreign currency risk, interest rate risk, credit risk and liquidity risk. The Target Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse affects on the Target Company's financial performance.

(a) Foreign currency risk

The Group has insignificant exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currency of the Target Company. The Target Company currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Target Company will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The following table details the Target Company's sensitivity to a 1% increase and decrease in US dollars ("**USD**") against MOP at the end of each reporting period. 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of each reporting period for a 1% change in foreign currency rates with all other variables held constant. A positive/(negative) number below indicates a decrease/(increase) in loss for the year where USD weakened/strengthened 1% against MOP.

		At 31 March	
	2011	**2012**	**2013**
	MOP'000	*MOP'000*	*MOP'000*
MOP strengthened against USD:			
Decrease in loss for the year	13	16	415

(b) Interest rate risk

At 31 March 2011 and 2012, the Target Company has no significant interest bearing assets and liabilities. At 31 March 2013, the amount due to the ultimate holding company bears interest at fixed interest rate and therefore is subject to fair value interest rate risks.

(c) Credit risk

The Target Company's credit risk is primarily attributable to its other receivables, bank and cash balances.

Substantially all of the Target Company's bank and cash balances as at 31 March 2011, 2012 and 2013 are deposited in the good credit rating banks, which the Directors assessed the credit risk to be insignificant.

The Target Company had concentration of credit risk arisen from 100% of other receivable due from the Target Company's largest debtor at 31 March 2013.

The Target Company's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at the end of the each reporting period in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the statements of financial position. In order to minimise credit risk, the Directors review the recoverable amount of each individual receivable regularly to ensure that adequate impairment losses are recognised for irrecoverable receivable. In this regard, the Directors consider that the Target Company's credit risk is significantly reduced.

(d) Categories of financial instruments

	2011	**2012**	**2013**
	MOP'000	*MOP'000*	*MOP'000*
Financial assets:			
Loans and receivables (including cash and cash equivalents)	1,245	1,596	162
Financial liabilities:			
Financial liabilities at amortised cost	1,314	1,699	42,214

(e) Liquidity risk

In the management of the liquidity risk, the Target Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Target Company's operations and mitigate the effects of fluctuations in cash flows. The management will closely monitor the cash flows generated from operations and the Target Company's needs for different types of external financing and will negotiate for proper facilities and consider proper means of equity financing as appropriate.

As at 31 March 2011, 2012 and 2013, the Target Company had net current liabilities of approximately MOP69,000, MOP103,000 and MOP40,731,000 and net liabilities of approximately MOP69,000, MOP103,000 and MOP3,775,000.

The following table details the remaining contractual maturities at the end of each reporting period of the Target Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest date the Target Company can be required to pay:

	On demand	Less than 1 year	Carrying amount and contractual cashflows
	MOP'000	*MOP'000*	*MOP'000*
At 31 March 2011:			
Amount due to the ultimate holding company	1,314	–	1,314
At 31 March 2012:			
Amount due to the ultimate holding company	1,699	–	1,699
At 31 March 2013:			
Accruals and other payables	–	12,656	12,656
Amount due to a related company	14,223	–	14,223
Amount due to the ultimate holding company	15,335	–	15,335
	29,558	12,656	42,214

6. TURNOVER

Turnover represents amounts received and receivable from the management of electronic gaming equipment during the Relevant Periods.

	For year ended 31 March		
	2011	**2012**	**2013**
	MOP'000	*MOP'000*	*MOP'000*
Management of electronic gaming equipment	–	–	1,781

7. OTHER INCOME

	For year ended 31 March		
	2011	**2012**	**2013**
	MOP'000	*MOP'000*	*MOP'000*
Management services income and reimbursement of expenses from the ultimate holding company	1,053	5,004	8,421

8. FINANCE COSTS

	For year ended 31 March		
	2011	**2012**	**2013**
	MOP'000	*MOP'000*	*MOP'000*
Interest on borrowings wholly repayable on demand:			
– Interest on amount due to the ultimate holding company	–	–	317

9. INCOME TAX

No provision for current tax has been made since the Target Company incurred a loss for tax purpose during the Relevant Periods. No provision for deferred tax has been made for the two years ended 31 March 2011 and 2012 as the tax effect of temporary differences is immaterial to the Target Company. At 31 March 2013, subject to agreement with tax authority, the Target Company has unused tax losses of approximately MOP9,993,000. No deferred tax asset has been made, as the tax losses at 31 March 2013 are not allowed to be carried forward to offset future taxable profits.

The reconciliation between income tax and the loss before tax is as follows:

	For year ended 31 March		
	2011	**2012**	**2013**
	MOP'000	*MOP'000*	*MOP'000*
Loss before tax	(34)	(34)	(3,672)
Tax at Macau Complementary Tax rate of 9%	(3)	(3)	(330)
Tax effect of temporary differences not recognised	–	–	(569)
Tax effect of tax losses not recognised	3	3	899
Tax charge at the Target Company's effective rate	–	–	–

10. LOSS FOR THE YEAR

The Target Company's loss for the Relevant Periods is stated after charging the following:

	For year ended 31 March		
	2011	**2012**	**2013**
	MOP'000	*MOP'000*	*MOP'000*
Depreciation	–	–	1,337
Directors' emoluments	–	63	252
Operating lease charges on land and buildings	28	79	328
Staff costs including directors' emoluments			
Salaries, bonus and allowances	712	3,576	5,601
Retirement benefits scheme contributions	1	5	9
	713	3,581	5,610

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement	**Slot machines**	**Furniture, fixtures and office equipment**	**Total**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Cost:				
Additions during the year ended 31 Mach 2013 and balance at 31 March 2013	1,041	35,823	1,429	38,293
Accumulated depreciation:				
Charge for the year ended 31 Mach 2013 and balance at 31 March 2013	27	1,194	116	1,337
Carrying amount:				
At 31 March 2013	1,014	34,629	1,313	36,956

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 31 March 2013 *MOP'000*
Prepayments	147
Sundry deposits	1,160
Other receivables	39
	1,346

13. CASH AND BANK BALANCES

Cash at bank earns interest at floating rates based on daily bank deposit rates. The maximum exposure to credit risk approximates the carrying amounts of the Target Company's cash and cash equivalents at the end of each reporting period.

14. ACCRUALS AND OTHER PAYABLES

	At 31 March 2013 *MOP'000*
Accruals	200
Other payables	12,456
	12,656

15. AMOUNT DUE TO A RELATED COMPANY

The amount is unsecured, non-interest bearing and repayable on demand. The related company is ultimately controlled by Dato Poh.

16. AMOUNT DUE TO THE ULTIMATE HOLDING COMPANY

The balance is unsecured, interest bearing at 5% per annum and repayable on demand.

17. SHARE CAPITAL

At the end of each reporting period, the share capital of MOP25,000 of the Target Company is divided into two quotas, as to one quota with nominal value of MOP24,000 and the remaining quota with nominal value of MOP1,000.

18. MAJOR NON-CASH TRANSACTION

Additions to property, plant and equipment of approximately MOP37,347,000 during the year ended 31 March 2013 were financed by the other payable, amount due to a related party and the ultimate holding company of approximately MOP10,733,000, MOP14,109,000, and MOP12,505,000.

19. CAPITAL MANAGEMENT

The Target Company's capital management objectives are to safeguard its ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance. The Target Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

20. OPERATING LEASE COMMITMENTS

At the end of the each reporting period, the total future minimum lease payments of the Target Company under non-cancellable operating leases are as follow:

	At 31 March		
	2011	**2012**	**2013**
	MOP'000	*MOP'000*	*MOP'000*
Within one year	–	–	302
In the second to fifth years inclusive	–	–	110
Over five years	–	–	–
	–	–	412

21. CAPITAL COMMITMENTS

The Target Company has no capital commitment at 31 March 2011, 2012 and 2013.

22. RELATED PARTY TRANSACTIONS

a) In addition to those related party transactions and balances disclosed elsewhere in the Financial Information, the Target Company had the following transactions with related parties during the Relevant Periods:

		For year ended 31 March		
		2011	**2012**	**2013**
	Notes	*MOP'000*	*MOP'000*	*MOP'000*
Purchases of slot machines from Weike Gaming Technology (S) Pte Limited ("**Weike Gaming**")	*(a), (d)*	–	–	14,109
Purchases of consumable stores from Weike Gaming	*(a), (d)*	–	–	114
Management fee paid to Weike (S) Pte Limited ("**Weike (S)**")	*(b), (d)*	–	315	978
Management fee paid to Weike Leasing (S) Pte Limited ("**Weike Leasing**")	*(b), (d)*	–	–	145
Loan interest paid to Weike PTE	*(c), (d)*	–	–	317

Notes:

a The terms of the purchases from Weike Gaming are negotiated at the market price similar to other suppliers.

b The transactions were charged at predetermined amounts agreed between the parties involved.

c Interest expenses are determined at prevailing interest rate.

d Weike Gaming, Weike (S), Weike Leasing and Weike PTE are companies ultimately controlled by Dato Poh.

b) Compensation of key management personnel of the Target Company (excluded directors):

	2011	2012	2013
	MOP'000	*MOP'000*	*MOP'000*
Short term employee benefits	180	949	1,058
Post-employment benefits	–	–	–
Total compensation paid to key management personnel	180	949	1,058

23. EVENTS AFTER THE END OF THE REPORTING PERIOD

Subsequent to 31 March 2013, on 24 May 2013, the Target Company and Weike PTE entered into a Deed of Waiver (the "**Deed**"). Pursuant to the Deed, Weike PTE irrevocably waives all its rights, title, benefits and interests in respect of the amount of MOP15,335,000 due from the Target Company as at the end of the reporting period.

24. SUBSEQUENT FINANCIAL INFORMATION

No audited financial information has been prepared by Target Company in respect of any period subsequent to 31 March 2013.

ANDA CPA Limited
Certified Public Accountants
Sze Lin Tang
Practising Certificate Number P03614

Hong Kong, 18 July 2013

MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET COMPANY

Set out below is the management discussion and analysis on the Target Company, which is based on the financial information of the Target Company as set out in Appendix II to this circular.

BUSINESS AND FINANCIAL REVIEW

The Target Company is incorporated in Macau with limited liability on 3 June 2009 and principally engaged in the management of electronic gaming equipment in Macau.

The Target Company has entered into the Supply and Maintenance Agreement dated 1 February 2013 with Hong Hock, an Independent Third Party, among other things, to install and service the 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. It supplies customer-centric turnkey solutions for Macau operation, which involves the provision, installation and management of slot machines and provision of all related services. 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.

For each of the two years ended 31 March 2011 and 2012, (i) the Target Company did not generate revenue from its principal activity and (ii) only recorded other income of approximately MOP1,053,000 (equivalent to approximately HK$1,032,000) and approximately MOP5,004,000 (equivalent to approximately HK$4,906,000) respectively. 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. The Target Company recorded both losses before and after tax of approximately MOP34,000 (equivalent to approximately HK$33,000) for each of the two years ended 31 March 2011 and 2012, which were mainly attributable to the administrative expenses incurred by the Target Company.

For the year ended 31 March 2013, the Target Company recorded revenue of approximately MOP1,781,000 (equivalent to approximately HK$1,746,000), other income of approximately MOP8,421,000 (equivalent to approximately HK$8,256,000) and losses before and after tax of approximately MOP3,672,000 (equivalent to approximately HK$3,600,000). The losses incurred mainly comprised administration expenses and staff cost. The Target Company recorded net liabilities of MOP3,775,000 (equivalent to approximately HK$3,701,000) as at 31 March 2013.

Currently, the Target Company is negotiating with other casino operators to enter into new service agreements for provision of its services to other potential casino sites. The directors and management of the Target Company are optimistic that they can successfully enter into new service agreements and manage additional machines in more casinos in the near future.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2011, the Target Company recorded audited net liabilities of approximately MOP69,000 (equivalent to approximately HK$68,000) including an amount due to the ultimate holding company, Weike PTE of approximately MOP1,314,000 (equivalent to approximately HK$1,288,000), which is unsecured, interest bearing of 5% per annum and repayable on demand.

As at 31 March 2012, the Target Company recorded audited net liabilities of approximately MOP103,000 (equivalent to approximately HK$101,000) including an amount due to the ultimate holding company, Weike PTE of approximately MOP1,699,000 (equivalent to approximately HK$1,666,000), which is unsecured, interest bearing of 5% per annum and repayable on demand.

As at 31 March 2013, the Target Company recorded audited net liabilities of approximately MOP3,775,000 (equivalent to approximately HK$3,701,000) including (i) an amount due to a related company of the Target Company of approximately MOP14,223,000 (equivalent to approximately HK$13,944,000), which is unsecured, bears interest at the rate of 5% per annum and repayable upon demand and (ii) an amount due to the ultimate holding company, Weike PTE of approximately MOP15,335,000 (equivalent to approximately HK$15,035,000), which is unsecured, interest bearing of 5% per annum and repayable on demand. The aforesaid amount due to the ultimate holding company was waived by Weike PTE after 31 March 2013.

As the Target Company had net liabilities at 31 March 2013, no gearing ratio is calculated.

CAPITAL COMMITMENT

The Target Company did not have any significant capital commitment as at 31 March 2013.

FOREIGN CURRENCY RISK

Most of the assets and liabilities of the Target Company are denominated in MOP, which is the functional currency of Target Company. Therefore, it is not expected to have any significant exposure to foreign currency risks.

CHARGE OF ASSETS

As at 31 March 2013, there was no pledge of assets of the Target Company.

EMPLOYEES AND REMUNERATION POLICY

Remuneration was determined by reference to market terms and the qualifications and experience of the staff concerned. The number of employees of the Target Company were around 19 as at 31 March 2013.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES

The Target Company did not have any significant investments, material acquisition and disposals since its incorporation.

CONTINGENT LIABILITIES

The Target Company did not have any contingent liabilities as at 31 March 2013.

UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

The accompanying unaudited pro forma statement of assets and liabilities of the Enlarged Group (the "**Statement**") has been prepared to illustrate the effect of the Group's proposed acquisition (the "**Acquisition**") of the entire equity interest in Weike (G) Management Macau Limited (the "**Target Company**"), assuming the Acquisition had been completed on 31 March 2013, might have affected the financial position of the Group.

The Statement is prepared based on the audited consolidated statement of financial position of the Group as at 31 March 2013 as extracted from the annual report of the Group for the year ended 31 March 2013 and the audited consolidated statement of financial position of the Target Company as at 31 March 2013 as extracted from the Accountant's Report set out in Appendix II of the Circular after making certain proforma adjustments resulting from the Acquisition.

The Statement is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the Statement, it may not give a true picture of the actual financial position of the Group that would have been attained had the Acquisition actually occurred on 31 March 2013. Furthermore, the Statement does not purport to predict the Group's future financial position.

The Statement should be read in conjunction with the financial information of the Group as set out in Appendix I of the Circular, the financial information of the Target Company as set out in Appendix II of the Circular and other financial information included elsewhere in the Circular.

For the purpose of presenting the Statement, the audited statement of financial position of the Target Company as at 31 March 2013 is translated at the exchange rate of HK$1 = MOP1.02.

ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountant, ANDA CPA Limited, Certified Public Accountants, Hong Kong.

ANDA
CPA Limited
安達會計師事務所有限公司

The Board of Directors
C Y Foundation Group Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of C Y Foundation Group Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company for illustrative purposes only. The pro forma financial information consists of the pro forma statement of assets and liabilities as at 31 March 2013 (the "**Statement**") as set out on pages 99 to 101 of the circular of the Company dated 18 July 2013 in relation to (1) major and connected transaction involving the issue of the convertible notes and (2) notice of special general meeting (the "**Circular**").

The Statement has been compiled by the directors of the Company (the "**Directors**") to illustrate the impact of the proposed acquisition of the entire equity interest in Weike (G) Management Macau Limited (the "**Target Company**") on the Group's financial position as at 31 March 2013 as if the acquisition had been taken place on 31 March 2013. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's audited financial statements as included in the annual report for the year ended 31 March 2013.

Directors' Responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Statement in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline ("**AG**") 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Statement and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Statement beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Statement in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Statement, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Statement.

The purpose of the Statement included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction on 31 March 2013 would have been as presented.

A reasonable assurance engagement to report on whether the Statement has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Statement provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The Statement reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Statement has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Statement.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Statement has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Statement as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

ANDA CPA Limited
Certified Public Accountants
Sze Lin Tang
Practising Certificate Number P03614

Hong Kong, 18 July 2013

	The Group at 31 March 2013 HK$'000 (Audited)	The Target Company at 31 March 2013 HK$'000 (Audited) *(note 1.1)*	Total HK$'000	Pro forma Adjustments HK$'000 (Unaudited)	Notes	Pro forma Enlarged Group HK$'000 (Unaudited)
Non-current assets						
Investment properties	190,329	–	190,329			190,329
Property, plant and equipment	3,250	36,231	39,481			39,481
Goodwill	–	–	–	1,526	*1.2*	1,526
Intangible assets	–	–	–	56,140	*1.2*	56,140
	193,579	36,231	229,810			287,476
Current assets						
Inventories and consumable stores	4,813	14	4,827			4,827
Trade and other receivables	13,732	1,320	15,052			15,052
Bank and cash balances	28,754	121	28,875			28,875
	47,299	1,455	48,754			48,754
Current liabilities						
Trade and other payables	18,292	12,409	30,701			30,701
Amount due to related companies	–	28,978	28,978	(15,035)	*1.2, 1.3*	13,943
Convertible notes	19,718	–	19,718	1,829	*1.4*	21,547
Current tax liabilities	94	–	94			94
	38,104	41,387	79,491			66,285
Net current assets/(liabilities)	9,195	(39,932)	(30,737)			(17,531)
Total assets less current liabilities	202,774	(3,701)	199,073			269,945
Non-current liabilities						
Convertible notes	–	–	–	45,212	*1.4*	45,212
Deferred tax liabilities	32,216	–	32,216			32,216
	32,216	–	32,216			77,428
Net assets/(liabilities)	170,558	(3,701)	166,857			192,517
Capital and reserves						
Share capital	10,453	25	10,478	(25)	*1.5*	10,453
				15,035	*1.3*	
				21,959	*1.4*	
Reserves	158,997	(3,726)	155,271	(11,309)	*1.5*	180,956
Equity attributable to owners of the Company	169,450	(3,701)	165,749			191,409
Non-controlling interests	1,108	–	1,108			1,108
Total equity	170,558	(3,701)	166,857			192,517

Notes to the unaudited pro forma statement of assets and liabilities of the Enlarged Group

1.1 The column represents the inclusion of the assets and liabilities of the Target Company as extracted from the audited statement of financial position of the Target Company as at 31 March 2013 (as set out in Appendix II to this circular), as if the Acquisition had been completed on 31 March 2013.

1.2 The adjustment reflects the recognition of goodwill of approximately HK$1,526,000, arising from the acquisition of entire equity interest in the Target Company, as if the Acquisition had been completed on 31 March 2013.

For the preparation of the unaudited pro forma assets and liabilities of the Enlarged Group, the adjusted net assets ("**Adjusted Net Assets**") of the Target Company of approximately HK$67,474,000 (representing net liabilities of the Target Company as at 31 March 2013 of approximately HK$3,701,000, as adjusted by approximately HK$15,035,000 waiver of amount due to a related company as further described in note 1.3 below, and the value of intangible assets, in relation to the operating rights arising from the Supply and Maintenance Agreement and Service Agreement *(Note)*, acquired in a business combination of approximately HK$56,140,000) have been assumed to approximate the fair values of the underlying assets and liabilities of the Target Company at the completion of the Acquisition.

The goodwill of approximately HK$1,526,000 is calculated based on the excess of the approximate fair value of the acquisition consideration of approximately HK$69 million over the Adjusted Net Assets. Since the actual fair values of assets and liabilities of the Target Company at the completion date of the Acquisition would be different from the amounts used in the preparation of the unaudited pro forma assets and liabilities of the Enlarged Group, the actual goodwill arising from the acquisition to be recognised by the Group might be different from the amount shown in this note.

The goodwill and intangible assets have been assessed for impairment in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets" by the directors of the Company and the Company's reporting accountant has agreed with the relevant assessments. No indication of an impairment loss is required at this initial stage. The Company and the Company's reporting accountant will adopt consistent accounting policies, principal assumptions and valuation methods for the impairment tests of goodwill and intangible assets for the pro forma financial information and any future assessment.

Note:

The valuation of the intangible assets are carried out on a fair value basis. Fair value is defined as "the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction". Pursuant to HKFRS 3 Business Combinations, assets given and liabilities incurred or assumed by the acquirer in exchange for control of the acquiree are required to be measured at their fair values at the date of exchange.

The excess earnings method is employed to assess the fair value of the Supply and Maintenance Agreement and the Service Agreement. In this method, the cash flows associated with the intangible asset being valued, with the contributory asset charges of all other assets employed eliminated, are discounted by an appropriate discount rate reflecting the risky level of the intangible asset. The value of the intangible asset is then the sum of the present values of the cash flows attributable to it and discounted by that discount rate.

1.3 On 24 May 2013, the Target Company and Weike PTE entered into a Deed of Waiver (the "**Waiver**"). Pursuant to the Waiver, Weike PTE irrevocably waives all its rights, title, benefits and interests in respect of the amount of MOP15,335,000 (equivalent to approximately HK$15,035,000), due from the Target Company. This adjustment reflects the impact of the Waiver as if it had been completed on 31 March 2013.

1.4 These adjustments represent the accounting treatments for the convertible notes with its fair value of approximately HK$69 million dividing into the liability and equity component as follows:

- The fair value of the liability component is approximately HK$47,041,000 determined using a market rate for an equivalent non-convertible notes and is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption which will be the third anniversary of the date of issue of the convertible notes. The liability component is determined by the effective interest rate of 17.67%. The basis of the effective interest rate is determined by the Directors with reference to the discounted rate suggested by an independent valuer in assessing the liability component which includes the risk free rate based on the yields of Hong Kong Exchange Fund Notes and credit spread based on comparable bonds. Current portion of liability component of approximately HK$1,829,000 represents interest due within one year; and

- The fair value of the conversion option is approximately HK$21,959,000 carried as a equity component of the convertible notes included in shareholders' equity until extinguished on conversion or redemption.

1.5 The adjustments reflect the elimination of the issued capital of the Target Company of approximately HK$25,000 and its adjusted pre-acquisition reserve of approximately HK$11,309,000 comprising a debit balance of approximately HK$3,726,000 as adjusted by the Waiver of approximately HK$15,035,000 as mentioned in note 1.3 above.

ASCENT PARTNERS

Together We Flourish

VALUATION

OF

WEIKE (G) MANAGEMENT MACAU LIMITED

FOR

C Y FOUNDATION GROUP LIMITED

DATE: 18 July 2013

REF: APG-BV-130305-925WY

CONTENT

Date: 18 July 2013

C Y Foundation Group Limited
Unit 3503B-5, 148 Electric Road
North Point, Hong Kong

Attn: The board of directors of the Company

Dear Sir/Madam,

RE: Valuation of the Enterprise Value of Weike (G) Management Macau Limited

In accordance with the instruction of **C Y Foundation Group Limited** (hereinafter referred as the "**Company**") we have undertaken a valuation to determine the fair value of **Weike (G) Management Macau Limited** as at **30 April 2013** (hereinafter referred as the "**Valuation Date**").

This report outlines the factors considered, valuation methodology, basis and assumptions employed in formulating our opinions and our conclusion of value.

Ascent Partners Valuation Service Limited (hereinafter referred as "**Ascent Partners**") is an independent firm providing full range of valuation and advisory services. This report has been prepared independently. Neither Ascent Partners nor any authors of this report hold any interest in the Company or its related parties. The fee for providing this report is based on Ascent Partners' normal professional rates, whilst expenses (if incurred) are being reimbursed at cost. Payment of fees and reimbursements are not contingent upon the conclusions drawn in this report.

Yours faithfully

For and on behalf of
Ascent Partners Valuation Service Limited

William SW Yuen	**Paul Wu**
Director	*Principal*
CFA, FRM	*MSc*

1. PURPOSE OF VALUATION

The purpose of this valuation is to express an independent opinion on the fair value of **Weike (G) Management Macau Limited** (herein after referred as "**Weike Macau**") as at the Valuation Date. This report outlines our latest findings and valuation conclusion, which is prepared solely for the purpose of internal reference.

2. SCOPE OF WORK

In conducting this valuation exercise, we have

- Gathered all relevant information, including historical and forecast financial data;
- Discussed with the management of the Company;
- Carried out a research in the sector concerned and collected market data from reliable sources;
- Investigated into the information, and considered the basis and assumptions of our conclusion of value;
- Analysed the financial information of listed companies in the same industry; and
- Designed an appropriate valuation model to analyse the market transactions and derive the estimated value of Weike Macau.

3. BACKGROUND

Gaming Industry in Macau

Macau has been known for its gaming industry, which could be dated back to 16 Century. In 2000, the Macau Gaming Committee was formed to develop the gaming industry of Macau. Macau started a bidding process for three new gaming concessions in 2001 at the expiry of STDM's concession. Subsequently in 2002, three concessions were granted to Sociedadae de Jogos, Galaxy Casino and Wynn Resorts respectively. In May 2004, Casino Sands, an American company opened its first casino in Macau. In the following years, a lot of foreign casino operators like Wynn, MGM Grand Paradise and Las Vegas Sands started their operations in Macau. Currently there are 35 casinos operating in Macau.

Macau has become one of the world's largest gaming centres, and has become the largest gaming centre in the world in term of the total revenue. From 2007 to 2012, according to a Gaming Inspection and Coordination Bureau of Macau, the gaming revenue boosted from MOP83,847 million to MOP305,235 million. The VIP sector is the main component of the industry as it contributed 69% of the total gaming revenue as of 2012. SJM and Galaxy rank top two among gaming groups in Macau.

Market-wide gaming revenues rose year-over-year (YoY) by 13.5% in 2012. The improvement in infrastructure, more supportive visa policy and increase in penetration in China would all serve as drivers for mass market growth in medium term.

However, it is obvious that Macau monthly gaming revenue growth rate (YoY) decelerates from August 2011 to now, which may be attributable to impact of slowdown in China economy and Euro-debt crisis in recent years. Cautious opinion that Macau gaming is sensitive to GDP growth in China is challenged by the view that it is the wealthy gamblers from mainland China the Macau fortunes is highly dependent on.

The Company

C Y Foundation Group Limited (Stock code: 1182) is a company listed on the Main Board of The Stock Exchange of Hong Kong Limited. The Group is principally engaged in manufacturing and sale of packaging products, operating digital entertainment business, and property investment.

Acquisition of Weike Macau

On 24 May 2013, the Company as the issuer, and Perfect Ace Global Limited and Ace Advantage Developments Limited (both being direct wholly-owned subsidiaries of the Company) as the purchasers entered into the agreement with Dato Poh Po Lian and Weike (G) Management Pte Ltd. ("**Weike PTE**"), the vendors, pursuant to which, among other things, the purchasers have conditionally agreed to acquire, and the vendors have conditionally agreed to sell the entire issued share capital of Weike Macau 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 of the aforesaid acquisition agreement.

Weike Macau is a company registered in Macau with limited liability and is principally engaged in the management of electronic gaming equipment. It has entered into a supply and maintenance agreement on 1 February 2013 with Hong Hock Development Company Limited (the "**Supply and Maintenance Agreement**") to provide services to the Casino VIP Legend and other gaming areas located at Macau Landmark Building for a term of five years and has the option to renew the agreement for another five years upon expiry of the agreement. Upon completion of the Acquisition, Weike Macau will become an indirect wholly-owned subsidiary of the Company and its financial results will be consolidated into the financial statements of the Company.

On 24 May 2013, Weike Macau and Weike PTE entered into a service agreement (the "**Service Agreement**"). Pursuant to the Service Agreement, Weike Macau agrees to provide the information technology services to Weike PTE at two casinos in Macau for a term up to 31 March 2016 and in return, Weike Macau will receive service fee from Weike PTE.

4. INTRODUCTION

This report has been prepared in accordance with instructions from the Company, to determine the fair value of the Weike Macau as at the Valuation Date. This report outlines our latest findings and valuation conclusion.

5. BASIS OF VALUATION

Our valuation was carried out on a fair value basis. Fair value is defined as "*the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction*".

6. BASIS OF OPINION

We have conducted our valuation in accordance with International Valuation Standards issued by International Valuation Standards Council. The valuation procedure includes review of the financial and economic conditions of the subject business, an assessment of key assumptions, estimates, and representations made by the Company. All matters essential to the proper understanding of the valuation are disclosed in the valuation report. Opinions of value included in the valuation report are impartial, independent, and unbiased.

The following factors also form a considerable part of our basis of opinion:

- Assumptions on the market and on the subject business that are considered to be fair and reasonable;
- Financial performance that shows a consistent trend of the operation of the subject business;
- Consideration and analysis on the micro- and macro-economic factors; and
- Analytical review of the subject business.

We have planned and performed our valuation so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject asset. We believe that our valuation provides a reasonable basis for our opinion.

7. SOURCES OF INFORMATION

In conducting our valuation of the subject asset, we have considered, reviewed and relied upon the following key information provided by the instructing party and the public.

- Overview of the business nature of the Company and Weike Macau;
- Discussions with the management of the Company and Weike Macau;
- Historical financial reports of Weike Macau;
- Financial projections of Weike Macau;
- Details concerning the acquisition documents, the Supply and Maintenance Agreement, and Service Agreement;
- Publications and private research reports regarding the industry; and
- Bloomberg Database, Hong Kong Stock Exchange, Hong Kong Monetary Authority and other reliable sources of market data.

In arriving at our opinion, we have assumed and relied upon the accuracy and completeness of the information reviewed by us for the purpose of this valuation. In addition, we have relied upon the statements, information, opinion and representations provided to us by the Company.

We also conducted research using various sources including government statistical releases and other publications to verify the reasonableness and fairness of information provided and we believe that the information is reasonable and reliable.

Our opinion is based upon economic, market, financial and other conditions as they exist and can be evaluated on the date of this report and we assume no responsibility to update or revise our opinion based on events or circumstances occurring after the date of this report. In reaching our opinion, we have made assumptions with respect to such economic, market, financial and other conditions and other matters, many of which are beyond our control or the control of any party involved in this valuation exercise.

8. VALUATION APPROACH AND METHODOLOGY

In carrying out this valuation exercise, we have considered the following approaches and methodologies:

Cost Approach – The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence (physical, functional or economical) present, taking into consideration past and present maintenance policy and rebuilding history.

Unlike market and income approaches which either incorporate market sentiments or future earnings capacity of an asset as a function to determine its current value, cost approach considers the fundamental cost it takes to form the asset. In our opinion this method is inapplicable to the current analysis as there is no convincing association of the market value of the subject asset with its cost.

Market Approach – In this approach, the value of an asset is derived by looking at how the market prices similar assets. This approach employs market data from comparable guideline companies to develop a measure of value for the subject company. There are two methods to implement the market approach. The first one derives the valuation from the transaction data of bought and sold companies, both private and public, which are similar to the subject business with adjustments made to the indicated market prices to reflect differences in terms, conditions, etc. Assets for which there is an established market may be appraised by this approach. This method is not preferred in this exercise because insufficient data on market transactions of companies in the same industry were available for analysis and comparison.

The second method determines the valuation based on price multiples on the financial data of similar publicly traded companies. Such method is also not preferable because it has to make reference to historical financial data of Weike Macau and compare such data with other similar publicy traded companies. Despite Weike Macau has incorporated in 2009, Weike Macau did not generate revenue from its principal activity and only recorded other income for provision of service to Weike PTE, its holding company on cost basis before entering into the Supply and Maintenance Agreement with Hong Hock Development Company Limited (hereinafter referred as "**Hong Hock**"). As such, there is insufficient representative historical financial data on Weike Macau for analysis and comparison, and such method would not appropriately reflect the future earning capability of Weike Macau.

Income Approach – In the income approach, the value of an asset is the present worth of the expected future economic benefits of ownership. The value of the asset to be valued is developed through the application of the discounted cash flow method to devolve the values of expected future income generated by the asset into a present market value. This method was considered the most appropriate and adopted in this exercise because it eliminates the discrepancy in time value of money by using a discount rate to reflect all business risks including intrinsic and extrinsic uncertainties in relation to its business operation.

In this valuation exercise, income approach is employed based on the projection of future cash flows provided primarily by the Company. The firm value of Weike Macau has been developed through the application of the market value weighted-average-cost-of-capital (WACC) to discount the free cash flows to the firm (FCFFs).

9. VALIDATION OF ASSUMPTIONS AND NOTES TO VALUATION

The assumptions considered having significant sensitivity effects in this valuation have been evaluated and validated in arriving at our assessed values.

General Assumptions

The major assumptions we have adopted for the purpose of this valuation are as follows:

a. The future operation will be conducted as planned and the financial projections are realizable.

b. Weike Macau will focus on the Macau market.

c. There will be sufficient supply of technical staff in the gaming equipment industry in which Weike Macau operates.

d. Weike Macau will retain competent management, key personnel and technical staff to support its ongoing business.

e. The Supply and Maintenance Agreement and the Service Agreement have been entered into and will not be terminated prior to the expiry of the term of the respective agreements.

f. The Supply and Maintenance Agreement will be renewed after the expiry of the term of the agreement.

g. Interest rates and exchange rates for the operation of Weike Macau will not differ materially from those presently prevailing.

h. All relevant regulatory approvals and business certificates or licenses to operate the business in Macau in which Weike Macau operates have been obtained, and have been duly renewed and will be extended upon their expiries.

i. There will be no significant changes in the current taxation laws in Macau SAR in which Weike Macau operates, the relevant tax rates shall remain unchanged, and that all applicable laws and regulations will be complied with.

j. 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 Weike Macau.

k. It is assumed that the prospective earnings would provide a reasonable return on the fair value of the assets.

l. Ascent Partners have not investigated any financial data to determine the earning capacity of the operation in which the assets are used, and we assumed that the prospective earnings would provide reasonable returns on the fair market value of the assets.

m. As part of our analysis, we have reviewed the information concerning fixed assets and machinery, such as their book values and depreciation schedule made available to us. We have assumed the accuracy of, and have relied on, such information to a considerable extent in arriving at our opinion of value.

Other Assumptions and Notes

a. Pursuant to the terms of the Supply and Maintenance Agreement, in consideration of the installation of slot machines and provision of operational and technical services and staff, Hong Hock agrees to pay Weike Macau a monthly performance bonus, being 70% of the net income (the "**Net Income**") for the given month from the slot hall at the Casino VIP Legend and other gaining areas (the "**Slot Hall**") located at the Macau Landmark Building (the "**Landmark Site**"), in the event that Hong Hock's share of the monthly Net Income exceeds HK$700,000. The Net Income is calculated as deducting the operational expenses incurred by Hong Hock in connection with the Slot Hall from Hong Hock' share of 40% of the gross gaming revenue derived from the Slot Hall. Weike Macau has guaranteed Hong Hock that it will receive a minimum of HK$700,000 per month and has agreed to make up for any shortfall from this amount. It assumes that the Supply and Maintenance Agreement will not be terminated or expired and the above terms will be consistently applied during the forecasted period.

b. The estimated revenue of Weike Macau is principally determined with reference to the number of slot machines installed in the Landmark Site and the expected gross slot win per machine per day (GSWPMD) of Weike Macau. It is assumed that (i) there will be 205 slot machines installed in the Landmark Site during the forecasted period, which is same as the number of slot machines already installed in the Landmark Site as at 30 April 2013 and (ii) the GSWPMD of

Weike Macau is forecasted to be USD135 for the year ended 31 March 2014 and gradually reach USD200 for the year ended 31 March 2018 at an average annual growth rate of approximately 10.37%, of which the annual growth rate ranges between approximately 5.26% to 13.33%. We have assessed and concluded such growth rate as follows:

- According to some market studies such as the PricewaterhouseCoopers's 2011 Global Gaming Outlook, it has been expected that the gaming industry in Asia Pacific would achieve a compounded annual increase of approximately 18.3% during the period from 2011 to 2015. Moreover, the Macau's casino market has been evolving away from the VIP segment towards the mass market in accordance to the Casino & Gaming Team of the Bloomberg Industries Research Department. According to the Bloomberg Research, all top six casino resort operators, namely Sands China Limited, MGM China Holdings Limited, Wynn Macau, Limited, Galaxy Entertainment Group Limited and SJM Holdings Limited, have announced plans to increase new capacity on the Cotai Strip. This is expected to increase the gaming industry's tables and slots by about 75%. Thus, the mass gaming market is expected to grow with increased capacity. In a recent published article by Union Gaming Research Macau, the profit margin growth rate of VIP segment would be expected to be 10% in 2013, while the growth rate of the mass market segment (including slot machines) would be 30%. In general, market analysts remain optimistic about the high growth of double digits in the mass market of Macau's gaming industry in the next few years.

- In addition, according to the Gaming Inspection and Coordination Bureau – Macau SAR, the average annual growth rate of GSWPMD during the period from 2008 to 2012 is approximately 26.93%.

- Given the strong historical growth and the aggregately positive market estimates for future, as well as the management team composed of well experienced individuals in the gaming industry, we concur that the aforesaid average annual growth rate of approximately 10.37% for the period from 1 April 2013 to 31 March 2018 is achievable.

Given that the operation of Weike Macau will improve and become more mature in future, it is assumed that from 2018 onwards, the long-term growth rate of GSWPMD of Weike Macau will be grown in line with the assumed inflation rate of Macau of approximately 5.03% per annum during the forecasted period.

The assumed inflation rate of approximately 5.03% is determined with reference to the average inflation rate of Macau from February 2007 to March 2013 according to the statistics published by the Statistics and Census Service – Government of Macau SAR. While history may or may not repeat itself, but the annualized inflation rate based on historical records over 5 years is practically a good estimate for the long-term inflation rate.

c. It is assumed that the major expenses of Weike Macau, including selling and distribution expenses, administrative expenses, finance cost and other operating expenses, will increase in line with the aforesaid assumed inflation rate of approximately 5.03% per annum during the forecasted period.

d. Weike Macau is expected to record other income arising from the Service Agreement 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 of approximately HK$5.0 million, HK$6.5 million and HK$7.0 million respectively, which are estimated with reference to a number of factors, such as (i) the historical amounts charged by Weike Macau 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.

e. As Weike Macau was recently established with acquisition of new equipments, the management expects no material capital expenditure for the forecasted period.

f. The weighted average debt to equity ratio of the comparable companies is employed as the debt to equity ratio of Weike Macau, which is found to be 10.508%.

g. The marginal tax rate in Macau is 12%.

h. The cost of equity, according to the Capital Asset Pricing Model, is given by:

Cost of Equity = Risk-Free Rate + β_l x Market Risk Premium

where

- β_l is the sensitivity of return on equity of Weike Macau to the market risk premium; and
- the market risk premium is the difference between the expected rate of return on the market portfolio and the risk-free rate.

i. The value of β_l is given by

$$\beta_l = \beta_u + \beta_u (1-t) \frac{D}{E}$$

where

- β_u is the unlevered sensitivity of return on equity of the gaming industry to the market risk premium;
- t is the effective tax rate of Weike Macau; and
- D/E is the debt-to-equity ratio of Weike Macau.

j. The value of β_u of the gaming industry, as derived from the β_l values of the following listed guideline companies in similar industries, is 0.7976.

EGT US	Entertainment Gaming Asia Inc.
RGB MK	RGB International BHD
ALL AU	Aristocrat Leisure Ltd
WMS US	WMS Industries

Weike Macau is a commercial company with limited liability incorporated in Macau and is principally engaged in the management of electronic gaming equipment in the fast growing mass market gaming sector of Macau. Public companies with similar business are adopted as guideline companies for the calculation of the cost of equity.

The listed guideline companies are selected from an exhaustive shortlist of companies involved in the industry of slot machines from the Bloomberg database based on the following:

i. The business nature of the companies is similar to that of business of Weike Macau;

ii. The selected companies must have a sufficient trading history of at least two years. Details of these guideline companies can be found in Appendix II of this valuation report.

In performing our research for listed guideline companies, 14 listed companies in Hong Kong are identified to be participated in the gaming industry in Macau, which are principally engaged to provide lottery and betting services, however, none of these listed companies operates the exactly same business and operating scale as Weike Macau for management of electronic gaming equipment. In fact, most of these listed companies are the owners and operators of casinos and gaming facilities and were not directly comparable to Weike Macau in terms of their businesses, services diversification, and operating scale. As such, none of the companies listed in Hong Kong is selected as the guideline companies.

k. The 10-Year Hong Kong Exchange Fund Note Yield as at the Valuation Date was employed as a proxy for the risk-free rate of Macau because of the similar geographical location and due to Macau's lack of a stock exchange. This rate, as obtained from Bloomberg database, is 0.598%.

l. The annualized return of Hang Sang Index is employed as a proxy for the expected market return for Macau because of the similar geographical location and due to Macau's lack of a stock exchange. The expected market return is found to be 12.447% as obtained from Bloomberg database.

m. The market risk premium is estimated to be 11.849%.

n. A small company risk premium of 6.03%, suggested by Ibbotson 2013 Valuation Yearbook, was applied to compensate for its specific risk.

o. The cost of equity was derived to be 16.953%.

p. IMF Hong Kong Prime Loan Rate was adopted as the proxy for cost of debt, which is 5%.

q. The weighted average of the cost of equity and cost of debt, i.e. Weighted Average Cost of Capital (WACC), is the minimum required return for the underlying assets of an enterprise. Hence, WACC, with the derived value of 15.760%, was adopted as the discount rate for the projected cash flow to determine the fair enterprise value.

r. A discount for lack of marketability (DLOM) was adopted to account for the illiquidity of trading of the shares of Weike Macau as a private company.

   It was assumed that an investor would need to hedge his or her position in the underlying stocks to protect the investment. If the investor holds non-marketable stocks and purchases a put option to sell those stocks at the market price, the investor effectively holds the same stocks that are marketable. The enterprise value with the put option divided by the pre-adjusted enterprise value is the DLOM for the private company. The Black Sholes option pricing model was adopted to calculate the put option and the resulting DLOM is 12.40%.

Discounted Cash Flow Computation and Equity Value

We have performed our computation on discounted cash flow on the basis of net profit/(loss), net change in working capital, the after-tax net interest expense, depreciation expense of the machines and fixed assets, and the expected capital expenditure of Weike Macau.

The free cash flow to firm is calculated by deducting the net change in working capital, capital expenditure from and adding after-tax net interest expense and the depreciation expense to the net profit/(loss) of Weike Macau.

The fair enterprise value of Weike Macau is the present value of the free cash flow to firm by discounting with WACC. The fair equity value of Weike Macau is then determined by adding back excess cash, deducting the total debt held, and then applying the DLOM of 12.40% to the fair enterprise value of Weike Macau.

10. VALUATION COMMENTS

As part of our analysis, we have reviewed the financial and business information with such information, project documentation and other pertinent data concerning Weike Macau has been made available to us. Such information has been provided by the Company. We have assumed the accuracy of, and have relied on, such information to a considerable extent in arriving at our opinion of value.

We confirm that we have made relevant searches and enquiries and obtained such further information as is considered necessary for the purposes of this valuation exercise.

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and consideration of such matters are regarded by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company, and Ascent Partners.

11. RISK FACTORS

a. Economic, political and social considerations

The European sovereign financial crisis and the uncertainty factors in the United States economic outlook had dragged the global economy to a slowdown and have lingering effects on the well-being of many economies. While the world economy has been recovering, the global economic situation has many uncertainties and the future performance is therefore difficult to predict. Any changes in global political, economic and social conditions, laws, regulations and policies may have significant impacts on the projections of the future income of Weike Macau.

b. Technological changes

Any change in the technological developments and advancements in the gaming industry may have significant impacts on the projections of the future income of Weike Macau. To remain competitive in the industry, Weike Macau may be required to make substantial capital expenditures to keep up with technological changes.

c. Inflation

The concurrent loosening of monetary policies by the central banks in many developed and developing countries poses a significant risk of inflation, which will erode the profitability of Weike Macau.

d. Concentration risk

The revenue of Weike Macau is heavily dependent on the Macau's gaming industry and the popularity of gaming machines. There is no guarantee that the electronic gaming machines provided by Weike Macau remain popular perpetually.

e. Company specific risk

The subsidiaries of the Company may perform better or worse than our expectation, and the resulting earnings and cash flows will be very different from our estimates. The possibility of severe operational incidence, whether it is exogenous or endogenous, cannot be precluded.

12. OPINION OF VALUE

Based on our investigation and analysis outlined in this report, we are of the opinion that, as at 30 April 2013, the 100% equity value of Weike (G) Management Macau Limited is **HKD69,000,000 (HONG KONG DOLLAR SIXTY NINE MILLION)**.

Yours faithfully

For and on behalf of
Ascent Partners Valuation Service Limited

William SW Yuen	**Paul Wu**
Director	*Principal*
CFA, FRM	*MSc*

Notes:

1. *Mr William SW Yuen is a Chartered Financial Analyst and Financial Risk Manager. He holds a Master degree of Science in Finance and has extensive experience in valuation of business entities, tangible and intangible assets and financial instruments for private and public companies in various industries.*

2. *Mr Paul Wu, holder of Master degree of Science, had worked as a senior management in world class technology companies. He has extensive experience in corporate valuation and advisory, as well as financial and statistical analysis and solutions.*

3. *This valuation report is co-authored by Mr Jasper Chan, and Miss Christina Zhao.*

APPENDIX I LIMITING CONDITIONS

1. As part of our analysis, we have reviewed financial and business information from public sources together with such financial information, client representation, project documentation and other pertinent data concerning the project made available to us during the course of our valuation. We have assumed the accuracy of, and have relied on the information and client representations provided in arriving at our opinion of value.

2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial statements give a true and fair view and have been prepared in accordance with the relevant companies' ordinance.

3. Ascent Partners shall not be required to give testimony or attendance in court or to any government agency by reason of this valuation and with reference to the project described herein unless prior arrangements have been made.

4. No opinion is intended to be expressed for matters which require legal or other specialised expertise or knowledge, beyond what is customarily employed by valuers.

5. Our conclusions assume continuation of prudent client policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued.

6. We assume that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the date of this report.

7. This valuation report has been prepared solely for the use of the designated party. The valuation report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any third party without our prior written consent.

8. This report is confidential to the client for the specific purpose to which it refers. In accordance with our standard practice, we must state that this report and valuation is for the use only of the party to whom it is addressed and no responsibility is accepted with respect to any third party for the whole or any part of its contents.

APPENDIX II CALCULATIONS

1. Details of Guideline Companies

Core businesses of the guideline companies are highlighted below:

A. EGT US Equity

Entertainment Gaming Asia Inc. places gaming machines on a revenue share model in Asia. The company secures long-term contracts providing its products to hotels, cruise ships and other venues throughout Asia.

B. RGB MK Equity

RGB International Bhd. is an investment holding company. The company, through its subsidiaries, manufactures, refurbishes, and services casino equipment, amusement and electronic gaming machines.

C. ALL AU Equity

Aristocrat Leisure Limited manufactures and sells gaming machines in Australia and internationally. The company also supplies gaming systems, software, table gaming equipment and other gaming related products and services to casinos, clubs and hotels.

D. WMS US Equity

WMS Industries Inc. designs, manufactures, sells, and leases gaming machines and video lottery terminals. The company's products are distributed throughout the United States and internationally.

The following table shows the major financial information of the guideline companies:

Comparables	Entertainment Gaming Asia Inc.	RGB International BHD.	Aristocrat Leisure Ltd.	WMS Industries Inc.
Tickers	EGT US EQUITY	RGB MK EQUITY	ALL AU	WMS US
Total Debt (M)	USD6.53	USD31.03	USD222.73	USD85.00
D/E	0.1113	1.0249	0.0989	0.0918
Effective Tax Rate	7.36%	1.46%	12.01%	56.57%
Levered Beta	0.5990	1.4720	0.9380	1.2300
Unlevered Beta	0.5430	0.7324	0.8629	1.1828
Share Price	USD1.96	USD0.03	USD4.08	USD16.95
Book Value/Share	USD1.09	USD0.02	USD0.52	USD16.45
EPS	USD0.04	USD0.00	USD0.17	USD1.05
# of Shares O/S (M)	29.94	1,151.19	551.42	54.63
Market Cap. (M)	USD58.68	USD30.28	USD2,252.55	USD925.98

Source: Bloomberg database

The following are the letters both dated 18 July 2013 from (1) ANDA CPA Limited to the Directors confirming it has reviewed the arithmetical accuracy of the discounted cash flow forecast for the valuation of the Target Company; and (2) the Board confirming that the forecast has been made by them after due and careful enquiry, as set out in Appendix V(A) to this circular.

1. LETTER FROM ANDA CPA LIMITED

ANDA
CPA Limited
安達會計師事務所有限公司

18 July 2013

The Board of Directors
C Y Foundation Group Limited

Dear Sirs,

We have examined the principal accounting policies adopted in and the arithmetical accuracy of the calculations of the discounted cash flow forecast (the "**Forecast**") underlying the valuation of Weike (G) Management Macau Limited (the "**Target Company**") performed by Ascent Partners Valuation Service Limited (the "**Valuer**") in respect of the appraisal of the fair value of the Target Company as at the reference date of 30 April 2013 in connection with the circular of C Y Foundation Group Limited (the "**Company**" and together with its subsidiary, the "**Group**") dated 18 July 2013 in relation to (1) major and connected transaction involving the issue of the convertible notes and (2) notice of special general meeting (the "**Circular**").

Respective responsibilities of directors and us

The directors of the Company are responsible for the preparation of the Forecast and the reasonableness and validity of the assumptions based on which the Forecast is prepared (the "**Assumptions**").

It is our responsibility to form an opinion based on our reasonable assurance engagement, so far as the accounting policies and the arithmetical accuracy of the calculations are concerned, on whether the Forecast has been properly compiled, in all material respects, in accordance with the Assumptions and on a basis consistent with the accounting policies normally adopted by the Group as set out in the audited consolidated financial statements of the Company for the year ended 31 March 2013 and to report our opinion solely to you, as a body, solely for the purpose in connection with the Circular and for no other purpose. We accept no responsibility to any other person in respect of, arising out of, or in connection with our work.

The Assumptions include hypothetical assumptions about future events and management actions that may or may not necessarily be expected to occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Accordingly we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express opinion whatsoever thereon.

Basis of opinion

We conducted our reasonable assurance engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" with reference to the applicable procedures under Auditing Guideline 3.341 "Accountants' Report on Profit Forecasts" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). Our work was performed solely to assist the directors of the Company to evaluate, so far as the accounting policies and the arithmetical accuracy of the calculations are concerned, whether the Forecast has been properly compiled, in all material respects, in accordance with the Assumptions and on a basis consistent with the accounting policies normally adopted by the Group as set out in the audited consolidated financial statements of the Company for the year ended 31 March 2013.

We planned and performed our reasonable assurance engagement so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give our opinion. Our reasonable assurance engagement included:

a. obtaining an understanding of principal accounting policies adopted in the preparation of the Forecast through inquiry of persons responsible for financial and accounting matters;

b. comparing the principal accounting policies adopted in the preparation of the Forecast with those adopted in the preparation of the audited consolidated financial statements of the Company for the year ended 31 March 2013;

c. checking the arithmetical calculations relating to the amounts presented in the Forecast; and

d. such other procedures that we considered necessary.

We believe that our reasonable assurance engagement provides a reasonable basis for our opinion.

Our reasonable assurance engagement does not constitute an audit or a review conducted in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA. Accordingly, we do not express an audit or a review opinion on the Forecast.

Opinion

In our opinion, based on the foregoing, so far as the accounting policies and the arithmetical accuracy of the calculations are concerned, the Forecast has been properly compiled, in all material respects, in accordance with the Assumptions and on a basis consistent with the accounting policies normally adopted by the Group as set out in the audited consolidated financial statements of the Company for the year ended 31 March 2013.

Yours faithfully,

ANDA CPA Limited
Certified Public Accountants
Sze Lin Tang
Practising Certificate Number P03614
Hong Kong

2. LETTER FROM THE BOARD

18 July 2013
The Stock Exchange of Hong Kong Limited
11th Floor,
One International Finance Centre,
1 Harbour View Street,
Hong Kong

Dear Sir/Madam,

VALUATION OF WEIKE (G) MANAGEMENT MACAU LIMITED (THE "TARGET COMPANY")

We refer to the valuation report dated 18 July 2013 prepared by Ascent Partners Valuation Service Limited, an independent valuation firm (the "**Valuer**") in relation to the valuation of the entire equity interests in the Target Company as at 30 April 2013 ("**Valuation**"), which is set out in Appendix V(A) to this circular. The Valuation is regarded as a profit forecast under Rule 14.61 of the Listing Rules (the "**Forecast**"). Unless the context requires otherwise, terms used in this letter have the same meanings as defined in the circular of the Company dated 18 July 2013.

We hereby confirm that we have discussed with the Valuer about different aspects and reviewed information and documents in relation to the bases and assumptions based upon which the discounted cash flow in the Valuation has been prepared, and reviewed the Valuation prepared by the Valuer for which the Valuer is responsible for.

We have also reviewed the principal accounting policies adopted and the calculations for the discounted cash flow in the valuation report issued by the Valuer. We have also considered the letter from ANDA CPA Limited dated 18 July 2013 as set out in part 1 to this appendix regarding the principal accounting policies adopted and the calculations for which the discounted cash flow in the Valuation upon which the Forecast has been made.

We hereby confirm that the Forecast has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of the Board of
C Y Foundation Group Limited

BALAKRISHNAN Narayanan
Executive Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately upon the issue of the Conversion Shares upon full conversion of the Convertible Notes will be as follows:

As at the Latest Practicable Date

Authorized:		*HK$*
30,000,000,000	Shares	300,000,000
Issued and fully paid:		
1,045,306,548	Shares	10,453,065.48

Upon the issue of the Conversion Shares upon full conversion of the Convertible Notes

Authorized:		*HK$*
30,000,000,000	Shares	300,000,000
Issued and fully paid:		
1,045,306,548	Shares	10,453,065.48
460,000,000	Conversion Shares which may fall to be issued upon exercise of the conversion rights attaching to the Convertible Notes	4,600,000.00
1,505,306,548	Shares Total	15,053,065.48

All the Shares in issue and the Conversion Shares to be issued rank and will rank pari passu in all respects with each others including as regards to dividends, voting and return of capital.

As at the Latest Practicable Date, 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 notes issued by the Company to Idea Sino Limited due on 6 August 2013 in the principal amount of HK$20,000,000 which are convertible into 39,424,403 Shares at the conversion price of HK$0.5073 per Share (subject to adjustment pursuant to the terms thereof). Although the conversion price shall be subject to adjustments as a result of the issue of the Convertible Notes upon Completion, the Company has been informed by Idea Sino Limited that it shall not exercise any of the conversion rights attached to the Idea Sino Convertible Notes before the maturity date and that it waives and exempts any requirement on the Company to make any adjustment to the conversion price of the Idea Sino Convertible Notes 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.

3. DISCLOSURE OF INTERESTS

Director's and chief executive's interests in the Company

As at the Latest Practicable Date, the interests and short positions of the Directors chief executives of the Company and their associates in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Name	Nature of interest	Number of Shares held	Approximately percentage of the Company's issued share capital
Mr. Sneah Kar Loon	Beneficial owner (Long position)	3,300,000	0.31
Mr. Io Rudy Cheok Kei	Beneficial owner (Long position)	2,000,000	0.19

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

4. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of SFO and so far as is known to the Directors or chief executive of the Company, the following persons (other than the Directors and the chief executive of the Company) had or were deemed or taken to have interests or short positions in the Shares or underlying shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long Positions in Shares

Name	**Capacity**	**Number of Shares or underlying shares**	**Shareholding** *(%)*
Dato POH Po Lian	Interest of controlled corporation	324,626,412	31.06
Luck Continent Limited	Beneficial owner	324,626,412	31.06
Steady Enterprises Limited	Interest of controlled corporation	174,217,758	16.67
Mr. Phua Wei Seng	Interest of controlled corporation	174,217,758	16.67

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

5. DIRECTORS' INTEREST IN ASSETS AND/OR ARRANGEMENT

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to the business of the Group. As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 March 2013 (being the date to which the latest published audited financial statements of the Group were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group.

As at the Latest Practicable Date, none of the Directors or proposed Directors, directly or indirectly, had any interest in any assets which had since 31 March 2013 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract with the Company which was not determinable by the Company within one year without payment of compensation, other than statutory compensation.

7. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Enlarged Group within the two years immediately preceding the date of this circular and are or may be material:

(a) the loan agreement dated 25 August 2011 entered into between the Company as the borrower and Idea Sino Limited as the lender for the facilities up to HK$20,000,000;

(b) the loan agreement dated 16 February 2012 entered into between CYC Investments Limited, a then wholly-owned subsidiary of the Company as the borrower and Dato Poh Po Lian, a controlling shareholder of the Company, as the lender for the facilities up to the principal sum of HK$7,800,000;

(c) the provisional sale and purchase agreement dated 6 April 2012 and the formal sale and purchase agreement dated 23 April 2012 entered into between Kingbox as the vendor and Lai Chi Keung and Wong Mei Hung as the purchaser in relation to the disposal of the property at Flat H, 32/F. of Tower 5 of Manhattan Hill, No. 1 Po Lun Street, Kowloon, Hong Kong at a consideration of HK$6,980,000;

(d) the subscription agreement dated 27 July 2012 entered into between the Company and Idea Sino Limited for the issue of the Idea Sino Convertible Notes;

(e) the underwriting agreement dated 15 August 2012 entered into between the Company and Kingston Securities Limited in relation to a proposed open offer (which was subsequently terminated pursuant to a termination agreement dated 20 September 2012);

(f) the provisional sale and purchase agreement dated 9 September 2012 and the formal sale and purchase agreement dated 24 September 2012 entered into between Kingbox as the vendor and Chiang Kin Hing or his nominee(s) as the purchaser in relation to the disposal of the property at Unit D, 5/F, Dragon Industrial Building, Cheung Sha Wan, Kowloon, Hong Kong at a consideration of HK$17,500,000;

(g) the underwriting agreement dated 19 October 2012 entered into between the Company and Kingston Securities Limited in relation to the proposed issue of the offer shares by way of open offer;

(h) the Supply and Maintenance Agreement;

(i) the Service Agreement;

(j) the Agreement; and

(k) the conditional sale and purchase agreement dated 18 June 2013 entered into between the Company as vendor and Sansheng (China) Limited as purchaser for the disposal of the entire issued share capital of Expert Global Investments Limited at a cash consideration of RMB110 million.

8. LITIGATION

As at the Latest Practicable Date, the Group was involved in a number of litigations, details of which are set out below:

(a) The Company against Mr. Cheng Chee Tock Theodore ("Mr. Cheng"), Ms. Leonora Yung ("Ms. Yung") and others

In connection with the payment in the sum of HK$9,306,500 made to Ms. Yung, the spouse of Mr. Cheng and a former employee of the Company, purportedly for legal fees and expenses incurred by Mr. Cheng and Ms. Yung in relation to (i) the ICAC Investigation, details of which were disclosed in the announcements of the Company dated 13 September 2010, 7 October 2010, 7 March 2011 and 6 October 2011; and (ii) petition under section 168A of the Hong Kong Companies Ordinance details of which were disclosed in the announcements of the Company dated 21 April 2010, 24 January 2011, 27 January 2011, 27 April 2012 and 11 May 2012. In relation to the Payment, on 14 April 2011, the Company, as plaintiff, has issued an originating summons in the Court of First Instance at the High Court of Hong Kong (the "**High Court**") against Mr. Cheng, Ms. Yung, Mr. Ng Pui Lung (being a former Director), Mr. Wang Shanchuan (being a former Director) and Mr. Ho Chi Chung ("**Mr. Joseph Ho**", being a former Director and the former acting chief executive officer of the Group).

Pursuant to the court order dated 18 March 2013, the proceedings are stayed until the determination of Mr. Cheng's appeal against his conviction in District Court No. 476 of 2011 to the Court of Appeal.

(b) The Company and Highsharp Investments Limited ("Highsharp"), as plaintiffs

On 5 May 2011, the Company and Highsharp, a former wholly-owned subsidiary of the Company, as plaintiffs, issued a writ of summons in the High Court against, among others, Mr. Cheng, Ms. Yung, the personal representatives of Mr. Kok Teng Nam (deceased), Mr. Philip Yu and Agustus Investments Limited.

Pursuant to the court order dated 18 March 2013, the proceedings are stayed until the determination of Mr. Cheng's appeal against his conviction in District Court No. 476 of 2011 to the Court of Appeal.

(c) The Company and Ace Precise International Limited ("Ace Precise"), as plaintiffs

On 6 May 2011, the Company and Ace Precise, a wholly-owned subsidiary of the Company, as plaintiffs, issued a writ of summons in the High Court against Best Max Holdings Limited ("**Best Max**"), Mr. Lo Chun Cheong (being the sole director and registered shareholder of Best Max) ("**Mr. Lo**"), Mr. Cheng, Mr. Joseph Ho and Mr. Yeung Tak Hung Arthur ("**Mr. Arthur Yeung**", being the former chief operating officer of the Group).

The hearing of Mr. Lo's striking out summons was heard on 7 February 2012. The judgment in respect of Mr. Lo's application to strike out his statement of claim was handed down on 3 June 2013.

According to the said judgment, it is ordered that the claim against Mr. Lo for restitution of the HK$12 million convertible bond be struck out, the Company has to file and serve an amended statement of claim based on the judgment as soon as practicable. The Company will continue processing the claims against other defendants.

(d) Subsidiaries of the Company against Mr. Cheng

On 11 June 2011, the Company, together with certain of its former or existing wholly-owned subsidiaries, namely CYC Investments Limited, Sincere Land Holdings Limited, Hainan Treasure Way Enterprises Limited, Hainan Jiaying Internet Technology Company Limited, Suzhou C Y Foundation Entertainment and Investment Management Limited, CYC Investment Consultancy (Wuxi) Limited and Longpin Investment Consultancy (Shanghai) Company Limited, as plaintiffs, issued an originating summons in the High Court to claim against Mr. Cheng.

The first joint mediation session was held on 24 May 2013 and was concluded after both the plaintiffs and Mr. Cheng failed to reach any settlement.

(e) The Company against former management and employees

On 3 June 2011, the Company, as plaintiff, issued a writ of summons in the High Court against, among others, Mr. Cheng, Ms. Yung, Mr. Joseph Ho, Mr. Arthur Yeung, Ms. Kwok Pui Hung (being a former director of human resources of the Group), Mr. Tsang Heung Yip (being a former financial controller of the Group) and other six former employees.

After the mediation session held on 19 July 2012, both the Company and the defendants are not able to reach an agreement to settle the dispute, the mediation was therefore concluded on the same day.

The date of pre-trial review is fixed to be held on 4 March 2014, and the trial is scheduled to be held from 27 May 2014 to 11 June 2014.

(f) A subsidiary of the Company against Ms. Yung

Ms. Yung and Kingbox purportedly entered into supplemental agreement dated 4 January 2010 (the "**Supplemental Agreement**") which provides that Kingbox would pay to Ms. Yung upon her termination of employment a remunerative payment which equaled her annual salary income multiplied by two years (the total amount should not exceed 28 months' salary). Ms. Yung had made a claim against Kingbox for arrears of wages and the remunerative payment under the Supplemental Agreement after her resignation. On 17 August 2011, Kingbox, as plaintiff, commenced a legal proceeding in the High Court against Ms. Yung, as defendant, in respect of the Supplemental Agreement.

Both Kingbox and Ms. Yung agreed for mediation. The first joint mediation session was held on 30 April 2012 but ended on 7 May 2012, as Kingbox and Ms. Yung were not able to reach an agreement to settle the dispute.

The date of pre-trial review is fixed to be held on 16 April 2014 and the trial is scheduled to be held from 23 July 2014 to 30 July 2014.

(g) A subsidiary of the Company against Lucky Belt Holdings Limited ("Lucky Belt"), Mr. Shek Hiu Hung (Mr. Shek), BG Global Gaming Limited ("BG Global"), Winning Beauty Investments Limited ("Winning Beauty") and Mr. Leung Chung Yuen Ronald ("Mr. Leung")

On 11 May 2012, Lucky Zone Holdings Limited ("**Lucky Zone**"), a subsidiary of the Company issued three writs of summons in the High Court, respectively against Lucky Belt, Mr. Shek, BG Global, Winning Beauty and Mr. Leung in respect of the convertible notes and deposit paid for software development and license agreement (Bingo) relating to sums of USD3.0 million and USD2.5 million for the convertible notes (the "**CB Case**"); and HK$15 million for the deposit (the "**Deposit Case**") respectively, together with the related interests, costs and further and/or other relief.

A decision was handed down at the decision hearing held on 29 May 2013. It was mentioned in the judgment that the defendants of the CB Case have to pay Lucky Zone all the sums of convertible notes plus interest up to 11 May 2012. As at the Latest Practicable Date, the Company is negotiating the settlement arrangement with the defendants.

For the Deposit Case, the Company is discussing with its legal adviser for taking further actions.

(h) Others

The Group also has two outstanding litigations in the PRC. The first case is an action by Hainan Treasure Way Enterprises Limited（海南寶瀛實業有限公司）, a wholly foreign-owned enterprise established in the PRC and is wholly-owned by the Company ("**Hainan Treasure**") against Mr. Cheng for the return and delivery of the documents and chops belonging to Hainan Treasure and all the legal fee and costs incurred. This case is scheduled to be re-trialed in October 2013. The second case is an action by Beijing Horizon Investment Management Co. Limited（北京豪升融通投資管理有限公司）, a wholly-owned subsidiary of the Company established in PRC ("**Beijing Horizon**") against Jiang Su Dong Hai Hua Yu Enterprises Company Ltd.（江蘇東海華宇實業有限公司）and Mr. Xie You Xin（謝佑新）for outstanding receivables in the sum of approximately RMB30 million. This case has been mediated and the defendant was ordered to repay RMB24 million to Beijing Horizon. Up to the Latest Practicable Date, only RMB5 million has been recovered and approximately RMB18.8 million is still outstanding. The Group is enforcing the aforesaid order.

More details of the above litigations were disclosed in the 2010/11, 2011/12 and 2012/13 Annual Reports as well as 2011/12 and 2012/13 Interim Reports of the Company respectively. The Company will issue further announcements to update the status of the above outstanding litigations as and when appropriate.

9. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware of, none of the Directors, proposed directors or any of their respective associates had any interest in business which competes with or may compete with the business of the Group or had any other conflict of interests which any person has or may have with the Group.

10. EXPERTS AND CONSENT

The following are the names and qualifications of the experts who have given their opinions and advice which are included in this circular:

Name	Qualification
ANDA CPA Limited	Certified Public Accountants
Ascent Partners Valuation Service Limited	Independent business valuer
Leong Hon Man Law Office	Macau legal advisers
Nuada Limited	a corporation licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activity

As at the Latest Practicable Date, none of the above experts had any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of the above experts had any interest, direct or indirect, in the promotion of, or in any assets which since 31 March 2013, the date to which the latest published audited financial statements of the Group were made up, have been acquired or disposed of by or leased to, any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of the references to its name and/or its opinion or report in the form and context in which they are included.

11. MISCELLANEOUS

(a) The company secretary of the Company is Ms. Cheung Pui Ki Gloria who is a member of The Hong Kong Institute of Certified Public Accountants, and a fellow member of the Association of Chartered Certified Accountants.

(b) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(c) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(d) The English text of this circular shall prevail over the Chinese text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Unit 3503B-5, 35th Floor, 148 Electric Road, North Point, Hong Kong during normal business hours (i.e. from 9:30 a.m. to 12:30 p.m. and from 2:00 p.m. to 5:30 p.m.) on any Business Day up to and including the date of the SGM.

(a) the memorandum of association and bye-laws of the Company;

(b) the letter from the Independent Board Committee, the text of which is set out on page 35 of this circular;

(c) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages 36 to 59 of this circular;

(d) annual reports of the Group for the two years ended 31 March 2012 and 2013;

(e) the material contracts referred to under the section headed "Material Contracts" in this appendix;

(f) the report from ANDA CPA Limited on the unaudited pro forma financial information of the Group dated 18 July 2013, the text of which is set out in Appendix IV to this circular;

(g) the Valuation Report dated 18 July 2013, the text of which is set out in Appendix V(A) to this circular;

(h) the letters in relation to the projection underlying the valuation of the Target Company issued by ANDA CPA Limited and the Board dated 18 July 2013, the texts of which are set out in Appendix V(B) to this circular;

(i) the written consents referred to the paragraph headed "Experts and Consent" in this appendix;

(j) the circular issued by the Company dated 18 July 2013 in relation to the disposal of the entire issued capital of Expert Global Investments Limited; and

(k) this circular.

C Y FOUNDATION GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1182)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting ("**SGM**") of C Y Foundation Group Limited (the "**Company**") will be held at 6/F. – Tin Hau Function Room, L'hotel Causeway Bay Harbour View Hong Kong, 18 King's Road, Causeway Bay, Hong Kong on 9 August 2013, Friday at 11:00 a.m. for the purposes of considering and, if thought fit, passing the following resolution of the Company:

ORDINARY RESOLUTION

"**THAT**:

(a) the sale and purchase agreement (the "**Sale and Purchase Agreement**") entered into among the Company, Perfect Ace Global Limited and Ace Advantage Developments Limited as purchasers, and Weike (G) Management Pte Ltd. and Dato Poh Po Lian as vendors (the "**Vendors**") dated 24 May 2013 in relation to the proposed acquisition (the "**Acquisition**") of the entire issued share capital of Weike (G) Management Macau Limited at a consideration of HK$69,000,000 (a copy of the Sale and Purchase Agreement having been produced to the SGM and marked "A" and initialed by the chairman of the SGM for the purpose of identification) and the transactions contemplated thereby be and are hereby approved, confirmed and ratified;

(b) the issue of the convertible notes (the "**Convertible Notes**") in the principal amount of HK$69,000,000 by the Company to the Vendors pursuant to the terms and conditions of the Sale and Purchase Agreement be and is hereby approved;

(c) allotment and issue of new ordinary shares (the "**Conversion Shares**") of HK$0.01 each in the share capital of the Company upon exercise of the conversion rights attaching to the Convertible Notes pursuant to the terms thereof be and is hereby approved; and

(d) any one or more directors of the Company be and is/are hereby authorised to implement and take all steps and do all acts and things and execute all such agreements (including under seal, where appropriate) which he/they consider(s) necessary, desirable or expedient for the purpose of giving effect to the Sale and Purchase Agreement and completing the transactions contemplated thereby including but not limited to the issue of the Convertible Notes and the allotment and issue of the Conversion Shares which may fall to be issued upon exercise of the conversion rights attaching to the Convertible Notes."

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

Hong Kong, 18 July 2013

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
Unite 3503B-5, 35th Floor
148 Electric Road
North Point
Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the SGM is entitled to appoint another person as his proxy to attend and to vote on his behalf. A proxy need not be a member of the Company. A member may appoint any number of proxies to attend in his stead.

2. Where there are joint registered holders of any share, any one of such persons may vote at the SGM, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the SGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.

3. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon must be deposited with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof.

4. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish, and in such event, the instrument appointing the proxy shall be deemed to be revoked.

5. Save for any resolution(s) approving the procedural and administrative matters, any voting of the SGM should be taken by poll.