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## **C Y FOUNDATION GROUP LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 1182)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013**

The board of directors (the “Board”) of C Y Foundation Group Limited (the “Company”) announces that the unaudited consolidated interim results (the “Announcement”) of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2013 (the “Period”) together with the comparative figures for the corresponding period are as follows:

#### **CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013*

		<b>Six months ended 30 September</b>	
	<i>Notes</i>	<b>2013</b>	<b>2012</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Continuing operations</b>			
Revenue	4	28,477	29,724
Cost of sales		<u>(21,330)</u>	<u>(30,090)</u>
<b>Gross profit/(loss)</b>		<b>7,147</b>	<b>(366)</b>
Other income		763	2,468
Selling and distribution costs		(510)	(762)
Administrative expenses		<u>(18,294)</u>	<u>(22,011)</u>
<b>Loss from operations</b>		<b>(10,894)</b>	<b>(20,671)</b>
Exchange gain/(loss)		208	(1,625)
Impairment of goodwill		–	(15,138)
Recovery of receivables previously impaired		13,201	–
Finance costs	5	<u>(1,170)</u>	<u>(719)</u>
<b>Profit/(loss) before tax</b>		<b>1,345</b>	<b>(38,153)</b>
Income tax	7	<u>(215)</u>	<u>(75)</u>
<b>Profit/(loss) for the period from continuing operations</b>		<b>1,130</b>	<b>(38,228)</b>
<b>Discontinued operations</b>			
Profit for the period from discontinued operations	8(a)	<u>6,690</u>	<u>2,142</u>
<b>Profit/(loss) for the period</b>	6	<u><b>7,820</b></u>	<u><b>(36,086)</b></u>

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2013</b>	2012
<i>Notes</i>		<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	(Unaudited)
<b>Other comprehensive income/(loss):</b>			
<i>Items that will be reclassified to profit or loss:</i>			
	Exchange differences on translating foreign operations	2,413	(755)
	Exchange differences reclassified to profit or loss on disposal of subsidiaries	8(c) <u>(30,713)</u>	<u>–</u>
	<b>Other comprehensive loss for the period, net of tax</b>	<u>(28,300)</u>	<u>(755)</u>
	<b>Total comprehensive loss for the period</b>	<u><u>(20,480)</u></u>	<u><u>(36,841)</u></u>
<b>Profit/(loss) for the period attributable to:</b>			
	Owners of the Company		
	From continuing operations	1,130	(38,228)
	From discontinued operations	<u>7,696</u>	<u>2,144</u>
	Profit/(loss) attributable to owners of the Company	8,826	(36,084)
	Non-controlling interests		
	From discontinued operations	<u>(1,006)</u>	<u>(2)</u>
		<u><u>7,820</u></u>	<u><u>(36,086)</u></u>
	<b>Total comprehensive loss for the period attributable to:</b>		
	Owners of the Company	(19,491)	(36,833)
	Non-controlling interests	<u>(989)</u>	<u>(8)</u>
	<b>Total comprehensive loss</b>	<u><u>(20,480)</u></u>	<u><u>(36,841)</u></u>
<b>Earnings/(loss) per share (HK cents per share)</b>			
<i>Basic earnings/(loss) per share</i>			
	From continuing operations	9 <b>0.11</b>	(5.49)
	From discontinued operations	9 <b>0.74</b>	0.31
	From continuing and discontinued operations	<u><b>0.85</b></u>	<u>(5.18)</u>
<i>Diluted earnings/(loss) per share</i>			
	From continuing operations	9 <b>0.11</b>	(5.49)
	From discontinued operations	9 <b>0.73</b>	0.31
	From continuing and discontinued operations	<u><b>0.84</b></u>	<u>(5.18)</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2013

	<i>Notes</i>	<b>30 September 2013 HK\$'000 (Unaudited)</b>	31 March 2013 HK\$'000 (Audited)
<b>Non-current assets</b>			
Investment properties		–	190,329
Property, plant and equipment		<b>34,109</b>	3,250
Intangible assets		<b>49,839</b>	–
Goodwill	<i>11</i>	<b>59,050</b>	–
		<u><b>142,998</b></u>	<u>193,579</u>
<b>Current assets</b>			
Inventories		<b>4,164</b>	4,813
Trade and other receivables	<i>12</i>	<b>28,514</b>	13,732
Due from related companies		<b>839</b>	–
Bank and cash balances		<b>123,643</b>	28,754
		<u><b>157,160</b></u>	<u>47,299</u>
<b>Current liabilities</b>			
Trade and other payables	<i>13</i>	<b>14,838</b>	18,292
Due to related companies		<b>24,322</b>	–
Convertible notes	<i>14</i>	<b>2,070</b>	19,718
Current tax liabilities		<b>10</b>	94
		<u><b>41,240</b></u>	<u>38,104</u>
<b>Net current assets</b>		<u><b>115,920</b></u>	<u>9,195</u>
<b>Total assets less current liabilities</b>		<u><b>258,918</b></u>	<u>202,774</u>
<b>Non-current liabilities</b>			
Convertible notes	<i>14</i>	<b>47,283</b>	–
Deferred tax liabilities		<b>5,981</b>	32,216
		<u><b>53,264</b></u>	<u>32,216</u>
<b>NET ASSETS</b>		<u><b>205,654</b></u>	<u>170,558</u>
<b>Capital and reserves</b>			
Share capital		<b>10,463</b>	10,453
Reserves		<b>195,191</b>	158,997
Equity attributable to owners of the Company		<b>205,654</b>	169,450
Non-controlling interests		–	1,108
<b>TOTAL EQUITY</b>		<u><b>205,654</b></u>	<u>170,558</u>

## *NOTES:*

### **1. GENERAL INFORMATION**

C Y Foundation Group Limited (the “Company”) is incorporated in Bermuda as an exempted company with limited liability under the Bermuda Companies Act. As at 30 September 2013, according to the register kept by the Company under Section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and to the best knowledge of the directors of the Company (“the Directors”), the Company’s controlling shareholder is Dato POH Po Lian. The addresses of the registered office and principal place of business of the Company are Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and 3503B-5, 35/F., 148 Electric Road, North Point, Hong Kong, respectively. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited.

The principal activities of the Group are manufacturing and sale of packaging products, and the management of electronic gaming equipment in Macau. In prior period, the Group were also engaged in property investment and digital entertainment business and these operations were ceased after 30 September 2013.

### **2. BASIS OF PREPARATION**

The unaudited condensed consolidated interim financial statements (“Interim Financial Statements”) have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange.

The Interim Financial Statements do not include all the information and disclosures required in a full set of financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 March 2013 (“2013 Annual Report”).

The preparation of the Interim Financial Statements in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those followed in the preparation of 2013 Annual Report of the Group.

### 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 April 2013. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current and prior periods.

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

### 4. SEGMENT INFORMATION

For management purpose, the Group’s operating segments and their principal activities are as follows:

#### **Continuing operations:**

- Packaging products business – Manufacture and sale of packaging products.
- Electronic gaming business – Management of electronic gaming equipment in Macau.

#### **Discontinued operations:**

- Property investment – Generation of rental income.
- Digital entertainment business – Provision of internet cafe licenses, online game tournament services and online entertainment platforms.

The Group’s reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Information regarding the above segments is reported below.

**(a) Segment revenue, results and assets**

The following is an analysis of the Group's revenue, results and assets by reportable segment:

	Continuing operations			Discontinued operations			Group HK\$'000 (Unaudited)
	Packaging products business HK\$'000 (Unaudited)	Electronic gaming business HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	Property investment HK\$'000 (Unaudited)	Digital entertainment business HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	
<i>Six months ended 30 September 2013:</i>							
Revenue from external customers	28,179	298	28,477	5,794	667	6,461	34,938
Segment results	1,404	(653)	751	2,630	(1,871)	759	1,510
<i>At 30 September 2013:</i>							
Segment assets	17,242	147,165	164,407	-	-	-	164,407
<i>Six months ended 30 September 2012:</i>							
Revenue from external customers	29,724	-	29,724	5,333	1,008	6,341	36,065
Segment results	(30,123)	-	(30,123)	3,331	(813)	2,518	(27,605)
<i>At 31 March 2013:</i>							
Segment assets (Audited)	17,227	-	17,227	191,167	736	191,903	209,130

There are no intersegment revenue between the reportable segments for both six months ended 30 September 2012 and 2013.

**(b) Reconciliation of reportable segment profit or loss**

	Six months ended	
	30 September 2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Reconciliation of reportable segment profit or loss for the period:		
Total profit/(loss) of reportable segments	1,510	(27,605)
Other unallocated and corporate profit or loss	6,310	(8,481)
Elimination of discontinued operations	(6,690)	(2,142)
Consolidated profit/(loss) for the period from continuing operations	1,130	(38,228)

## 5. FINANCE COSTS

Six months ended 30 September	
2013	2012
<i>HK\$'000</i>	<i>HK\$'000</i>
(Unaudited)	(Unaudited)

### Continuing operations:

Interests expenses on borrowings wholly repayable

within five years:

– Bank borrowings	–	57
– Other borrowing	–	177
– Convertible notes ( <i>Note 14</i> )	<b>1,170</b>	485

<b>1,170</b>	<b>719</b>
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## 6. PROFIT/(LOSS) FOR THE PERIOD

The Group's profit/(loss) for the period is stated after charging/(crediting):–

Six months ended 30 September	
2013	2012
<i>HK\$'000</i>	<i>HK\$'000</i>
(Unaudited)	(Unaudited)

### Continuing operations:

#### *After charging:*

Cost of inventories sold	21,167	30,090
Depreciation of property, plant and equipment and amortisation of intangible assets	1,308	1,302
Impairment of goodwill	–	15,138
Operating lease rentals in respect of land and buildings	647	1,772
Directors' remuneration	4,242	2,889
Staff costs (including Directors' remuneration)	10,383	11,458

#### *And after crediting:*

Gain on disposal of property, plant and equipment	(110)	(1,789)
Interest income	(141)	(113)
Recovery of receivables previously impaired	(13,201)	–

### Discontinued operations:

#### *After charging:*

Depreciation of property, plant and equipment and amortisation of intangible assets	112	397
Impairment of other receivables	–	176
Operating lease rentals in respect of land and buildings	674	1,006
Staff costs	3,057	2,778

#### *And after crediting:*

Change in fair value of investment properties	–	(4,896)
Interest income	(4)	(7)
Rental income on investment properties less direct operating expenses of HK\$699,000 (Six months ended 30 September 2012: HK\$694,000)	<b>(5,095)</b>	<b>(4,639)</b>

## 7. INCOME TAX

	Six months ended	
	30 September	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current tax – PRC Enterprise Income Tax	263	78
Deferred tax	(42)	1,224
	<u>221</u>	<u>1,302</u>
Representing:		
Continuing operations	215	75
Discontinued operations	6	1,227
	<u>221</u>	<u>1,302</u>

No provision for Hong Kong profits tax is required since the Group has no assessable profit for both periods. Tax arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of subsidiaries of the Company in the PRC is 25% for both periods.

## 8. DISPOSAL OF SUBSIDIARIES

On 30 September 2013, the Group disposed of its entire interest in a wholly-owned subsidiary, Expert Global Investments Limited (the "Disposed Company"), to an independent third party at a cash consideration of RMB110 million (equivalent to approximately HK\$136,750,000) (collectively "the Disposal"). Further details of the Disposal were published in the related circular of the Company dated 18 July 2013.

The Disposed Company and its subsidiaries (collectively the "Disposed Group") were principally engaged in property investment and digital entertainment business. The major assets of the Disposed Group were the investment properties located in Beijing.

- (a) The profit for the period from the discontinued operations is analysed as follows:

	<i>Notes</i>	<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2013</b>	2012
		<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	(Unaudited)
Loss of discontinued operations	<i>8(b)</i>	<b>(1,573)</b>	2,142
Gain on disposal of discontinued operations	<i>8(c)</i>	<b>8,263</b>	–
		<b>6,690</b>	2,142

- (b) The results of the discontinued operations, which have been included in the consolidated profit or loss of the Group, are as follows:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2013</b>	2012
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Revenue	<b>6,461</b>	6,341
Cost of services rendered	<b>(744)</b>	(731)
Gross profit	<b>5,717</b>	5,610
Other income	<b>8</b>	11
Selling and distribution costs	<b>(27)</b>	(30)
Administrative expenses	<b>(7,265)</b>	(7,118)
Loss from operations	<b>(1,567)</b>	(1,527)
Change in fair value of investment properties	–	4,896
Income tax	<b>(6)</b>	(1,227)
(Loss)/profit for the period	<b>(1,573)</b>	2,142

- (c) Net assets of the Disposal Group at the date of disposal on 30 September 2013 were as follows:

	<i>Note</i>	<b>HK\$'000</b>
Investment properties		<b>194,117</b>
Property, plant and equipment		<b>112</b>
Trade and other receivables		<b>1,434</b>
Bank and cash balances		<b>2,182</b>
Trade and other payables		<b>(5,603)</b>
Current tax liabilities		<b>(66)</b>
Deferred tax liabilities		<b>(32,857)</b>
		<hr/>
Net assets disposed of		<b>159,319</b>
Release of foreign currency translation reserve		<b>(30,713)</b>
Non-controlling interests		<b>(119)</b>
Gain on disposal of subsidiaries	<i>8(a)</i>	<b>8,263</b>
		<hr/>
Total consideration – satisfied by cash		<b>136,750</b>
		<hr/> <hr/>

## 9. EARNINGS/(LOSS) PER SHARE

### (a) From continuing and discontinued operations

#### ***Basic earnings/(loss) per share***

The calculation of basic earnings (Six months ended 30 September 2012: loss) per share attributable to owners of the Company is based on the profit for the period attributable to owners of the Company of approximately HK\$8,826,000 (Six months ended 30 September 2012: loss of approximately HK\$36,084,000) and the weighted average number of 1,045,415,838 (Six months ended 30 September 2012: 696,871,032) ordinary shares in issue during the period.

#### ***Diluted earnings/(loss) per share***

The calculation of diluted earnings per share attributable to owners of the Company is based on the profit for the period attributable to owners of the Company of approximately HK\$8,826,000 and the weighted average number of 1,048,952,086 ordinary shares, being the weighted average number of 1,045,415,838 ordinary shares in issue during the period used in the basic earnings per share calculation plus the weighted average number of 3,536,248 ordinary shares assumed to have been issued at no consideration on the deemed exercise of the share options outstanding during the period. The computation of diluted earnings per share presented for the six months period ended 30 September 2013 does not assume the conversion of all convertible notes of the Company since their conversion would result in an increase in earnings per share.

The effects of all potential ordinary shares are anti-dilutive for the period ended 30 September 2012.

**(b) From continuing operations**

***Basic earnings/(loss) per share***

The calculation of basic earnings (Six months ended 30 September 2012: loss) per share from continuing operations attributable to owners of the Company is based on the profit for the period from continuing operations attributable to owners of the Company of approximately HK\$1,130,000 (Six months ended 30 September 2012: loss of approximately HK\$38,228,000) and the denominator used is the same as that detailed in 9(a) above for basic earnings/(loss) per share.

***Diluted earnings/(loss) per share***

The calculation of diluted earnings per share from continuing operations attributable to owners of the Company is based on the profit for the period from continuing operations attributable to owners of the Company of approximately HK\$1,130,000 and the denominator used is the same as that detailed in 9(a) above for diluted earnings/(loss) per share.

The effects of all potential ordinary shares are anti-dilutive for the period ended 30 September 2012.

**(c) From discontinued operation**

Basic earnings per share from the discontinued operations is HK0.74 cents per share (Six months ended 30 September 2012: HK0.31 cents per share) and diluted earnings per share from the discontinued operations is HK0.73 cents per share, based on the profit for the period from discontinued operations attributable to the owners of the Company of approximately HK\$7,696,000 and the denominators used are the same as those detailed in 9(a) above for both basic and diluted earnings/(loss) per share.

The effects of all potential ordinary shares are anti-dilutive for the period ended 30 September 2012.

**10. DIVIDENDS**

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2013 (Six months ended 30 September 2012: HK\$Nil).

## 11. ACQUISITION OF A SUBSIDIARY

On 16 September 2013 (“Completion Date”), the Group acquired 100% equity interest in Weike (G) Management Macau Limited (“Weike G Macau”) from Dato POH Po Lian (the “Ultimate Vendor”), the controlling shareholder of the Company (collectively the “Acquisition”). Further details of the Acquisition were published in the related circular of the Company dated 18 July 2013. Weike G Macau is principally engaged in the management of electronic gaming equipment in Macau. The purchase consideration for the Acquisition was satisfied by issuance of convertible notes with an aggregate nominal value of HK\$69 million payable to the Ultimate Vendor or their respective nominees on the Completion Date.

The fair value of the identifiable assets and liabilities of Weike G Macau acquired as at the Completion Date is as follows:

	<i>HK\$'000</i>
Property, plant and equipment	32,251
Intangible assets	50,190
Inventories	27
Trade and other receivables	2,909
Bank and cash balances	937
Trade and other payables	(7,203)
Due to related companies	(27,429)
Deferred tax liabilities	<u>(6,023)</u>
	45,659
Goodwill on acquisition	<u>59,050</u>
	<u><u>104,709</u></u>
Satisfied by:	
Fair value of convertible notes issued	<u><u>104,709</u></u>

## 12. TRADE AND OTHER RECEIVABLES

	<b>30 September 2013 <i>HK\$'000</i> (Unaudited)</b>	31 March 2013 <i>HK\$'000</i> (Audited)
Trade receivables	<b>14,145</b>	14,562
<i>Less: Impairment losses</i>	<u><b>(4,510)</b></u>	<u>(6,251)</u>
	<b>9,635</b>	8,311
Other receivables, deposits and prepayments	<b>10,129</b>	5,421
Consideration receivables from disposal of a subsidiary	<u><b>8,750</b></u>	<u>–</u>
	<u><b>28,514</b></u>	<u>13,732</u>

- (a) The Group grants a credit period normally ranging from cash on delivery to 90 days (for the year ended 31 March 2013: cash on delivery to 90 days) to its trade customers. For those customers who have established good relationships with the Group, the credit period may be extended to 120 days.
- (b) At the end of the reporting period, the aging analysis of the trade receivables, based on invoice date, is as follows:

	<b>30 September 2013 <i>HK\$'000</i> (Unaudited)</b>	31 March 2013 <i>HK\$'000</i> (Audited)
Within 60 days	<b>8,060</b>	5,759
61 – 90 days	<b>148</b>	140
91 – 180 days	<b>388</b>	1,653
181 – 365 days	<u><b>1,039</b></u>	<u>759</u>
	<u><b>9,635</b></u>	<u>8,311</u>

### 13. TRADE AND OTHER PAYABLES

	<b>30 September 2013 <i>HK\$'000</i> (Unaudited)</b>	31 March 2013 <i>HK\$'000</i> (Audited)
Trade payables	5,135	2,667
Accrued expenses and other payables	<u>9,703</u>	<u>15,625</u>
	<b><u>14,838</u></b>	<b><u>18,292</u></b>

At the end of the reporting period, the aging analysis of the trade payables is as follows:

	<b>30 September 2013 <i>HK\$'000</i> (Unaudited)</b>	31 March 2013 <i>HK\$'000</i> (Audited)
Within 60 days	4,158	1,173
61 – 90 days	247	652
91 – 180 days	34	201
181 – 365 days	–	136
Over 365 days	<u>696</u>	<u>505</u>
	<b><u>5,135</u></b>	<b><u>2,667</u></b>

## 14. CONVERTIBLE NOTES

- (1) The convertible notes with the nominal value of HK\$69 million (the “Weike Notes”) were issued to Weike (G) Management Pte Ltd, a company wholly owned by Dato POH Po Lian, a controlling shareholder of the Company, as the full consideration for acquisition of 100% interest in Weike G Macau on the Completion Date. Further details on the acquisition of Weike G Macau is presented in note 11 above.

The Weike Notes are convertible to ordinary shares of the Company at any time between the date of issue of the Weike Notes and 16 September 2016 (the “Maturity Date”). The Weike Notes are convertible to 460,000,000 ordinary shares of HK\$0.01 each per HK\$0.15 loan note.

If the Weike Notes have not been converted, they will be redeemed at par on the Maturity Date. Interest of 3 per cent will be paid annually up until the Maturity Date.

On the Completion Date, the Weike Notes with its fair value of approximately HK\$104,709,000 dividing into the liability and equity component are as follows:

- The fair value of the liability component of approximately HK\$49,144,000 is determined by 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 applying the average effective interest rate of 15.3%. Current portion of liability component of approximately HK\$2,070,000 represents interest payable within one year; and
  - The fair value of the conversion option is approximately HK\$55,565,000 carried as a equity component of the convertible notes included in shareholders’ equity until extinguished on conversion or redemption.
- (2) The convertible notes (the “Idea Sino Notes”), with the nominal amount of HK\$20,000,000, were issued to Idea Sino Limited on 6 August 2012. The Idea Sino Notes were convertible to ordinary shares of the Company at any time between the date of issue of the Idea Sino Notes and their maturity date on 6 August 2013. The Idea Sino Notes were initially convertible to 349,040,140 ordinary shares of the Company at HK\$0.0573 per share. As a result of the share consolidation effective on 18 September 2012, the conversion price of the outstanding notes was adjusted from HK\$0.0573 to HK\$0.573 per share, and the aggregate number of ordinary shares of the Company falling to be issued upon exercise of the conversion rights attached to the notes in full was adjusted from 349,040,140 to 34,904,013 ordinary shares of the Company.

Effective from 8 November 2012, being the day immediately after the record date of the open offer as set out in the prospectus of the Company dated 9 November 2012, the conversion price of the outstanding Idea Sino Notes was further adjusted from HK\$0.573 to HK\$0.5073 per share. The aggregate number of ordinary shares of the Company falling to be issued upon exercise of the conversion right attached to the Idea Sino Notes was further adjusted to 39,424,403 ordinary shares of the Company.

The Idea Sino Notes were fully redeemed by the Company on the maturity date of 6 August 2013.

The movements of the liability component of the Group's convertible notes during the six months ended 30 September 2013 are as follows:

	<b>Weike Notes</b>	<b>Idea Sino</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)
Liability component at			
31 March 2013 (Audited)	–	19,718	19,718
Fair value of convertible notes issued	104,709	–	104,709
<i>Less: equity component</i>	<u>(55,565)</u>	<u>–</u>	<u>(55,565)</u>
Liability component subtotal	49,144	19,718	68,862
Interest charged for the period	288	882	1,170
Interest paid for the period	(79)	–	(79)
Redeemed during the period	<u>–</u>	<u>(20,600)</u>	<u>(20,600)</u>
Liability component at			
30 September 2013 (Unaudited)	49,353	–	49,353
Interest payable within one year classified as current liabilities	<u>(2,070)</u>	<u>–</u>	<u>(2,070)</u>
Non-current portion	<u><u>47,283</u></u>	<u><u>–</u></u>	<u><u>47,283</u></u>

*Note:* The interest charged on the Weike Notes for the period is calculated by applying the average effective interest rate of 15.3% per annum to its liability component.

The interest charged on the Idea Sino Notes for the period is calculated by applying the average effective interest rate of 15.26% per annum to its liability component.

## 15. LITIGATIONS

### (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 (the “Payment”) made to Ms. Yung, the spouse of Mr. Cheng (being a former Director) 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 Augustus 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 (collectively referred to as the “Defendants”)).

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 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 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 (the "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.

Pursuant to a court order made on 26 July 2013, both parties are now preparing for the relevant documents to be filed to the court and a case management conference be listed to be held on 12 March 2014.

**(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 (collectively referred to as the "Defendants").

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 (Asia) Limited (“Kingbox”) (an indirect wholly-owned subsidiary of the Company) 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 Ching 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 (collectively referred to as the “Defendants”) 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.

For the CB Case, on 22 July 2013, Lucky Zone and Mr. Leung entered into a Deed of Settlement in relation to the settlement of the judgment. Pursuant to the Deed of Settlement, Mr. Leung shall pay US\$2,000,000 to Lucky Zone for the settlement of the respective judgment sum (equivalent to approximately US\$2,614,270.26) plus legal fee of HK\$100,000. Up to the end of the reporting period, the Company has received around HK\$11.7 million from Mr. Leung, and such amount was included in the consolidated profit or loss presented as “Recovery of receivables previously impaired”.

For the CB Case, the Company is applying bankruptcy order against Mr. Shek. An application for leave to issue bankruptcy has been filed and pending the court’s granting the leave. After the leave is granted, the bankruptcy petition will be issued. The Company has engaged a debt collection agency to help in the recovery.

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

More details of the above litigations were also 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.

## **16. CAPITAL COMMITMENTS**

As at 30 September 2013, the Group’s capital expenditure contracted for but not provided in the Interim Financial Statements in respect of acquisition of property, plant and equipment amounted to approximately HK\$16,475,000 (At 31 March 2013: HK\$564,000).

## **17. CONTINGENT LIABILITIES**

As at 30 September 2013, the Group and the Company did not have any significant contingent liabilities (At 31 March 2013: HK\$Nil).

## **REVIEW AND OUTLOOK**

### **Business and Financial Review**

#### ***Results***

In prior period, the Group was principally engaged in manufacturing and sales of packaging products, property investment and digital entertainment business.

On 16 September 2013, the Group successfully acquired the entire equity interest in Weike (G) Management Macau Limited, a company incorporated in Macau and mainly engaged in the management of electronic gaming equipment in Macau.

On 30 September 2013, the Group disposed of its entire equity interest in a wholly owned subsidiary, Expert Global Investments Limited, including its major assets, the properties located in Beijing (the “Disposal”). Upon the completion of the Disposal, the Group has ceased its operation in property investment and digital entertainment business. The Disposal provided considerable cash resource to the Group in developing the potential new business in order to create additional value and generate new source of income to the Group.

For the six months ended 30 September 2013, the Group’s total revenue, other income and gains have significantly increased by 48.6% from HK\$38.5 million to HK\$57.2 million. The increase was mainly due to the gain realised from disposal of the entire equity interest in Expert Global Investments Limited and the collection of the settlement sum in relation to an outstanding litigation of the Group (please refer to Note 15 Litigation for details).

During the period, the manufacturing and sales of packaging products business and the electronic gaming business contributed HK\$28.2 million and HK\$0.3 million respectively to the Group while the discontinued segments, property investment business and digital entertainment business contributed HK\$5.8 million and HK\$0.7 million respectively to the Group. During the period, the manufacturing and sales of packaging products business and property investment business generated profits while the digital entertainment business and electronic gaming business were at a loss.

## ***Liquidity, Financial Resources and Foreign Currency Exposure***

As at 30 September 2013, the bank and cash balances of the Group amounted to approximately HK\$123.6 million. The Group had total unsecured outstanding borrowings of HK\$73.7 million, comprising amounts due to related companies of approximately HK\$24.3 million and unsecured convertibles notes of approximately HK\$49.4 million. Except the convertible bonds of approximately HK\$47.3 million, all remaining outstanding borrowings are payable within one year or had no fixed repayment terms.

The gearing ratio of the outstanding borrowings against the total equity as at 30 September 2013 was 35.8%. As the majority of bank deposits and cash on hand were denominated in Renminbi, US dollars and Hong Kong dollars, the Group's exchange risk exposure depended on the movement of the exchange rate of the aforesaid currencies.

### ***Convertible notes***

On 16 September 2013, the Company issued the convertible notes to Weike (G) Management Pte Ltd with the nominal value of HK\$69 million in a term of 3 years which is convertible into 460,000,000 shares at the conversion price of HK\$0.15 per share (subject to adjustments) (the "Convertible Notes") (please refer to Note 14 Convertible Notes for details).

### ***Material Acquisitions, Disposals and Significant Investment***

The Company did not have any material acquisition, disposal and significant investment in subsidiaries and affiliated companies during the Period except for the followings:

#### ***Major Transaction***

On 24 May 2013, Perfect Ace Global Limited and Ace Advantage Developments Limited (both being direct wholly-owned subsidiaries of the Company) (the "Purchasers") entered into a sale and purchase agreement with Weike (G) Management Pte Ltd and Dato Poh Po Lian (the "Vendors"), pursuant to which the Purchasers agreed to acquire the entire issued share capital of Weike (G) Management Macau Limited, at a total consideration of HK\$69 million, which has been satisfied by way of issue of the convertible notes to the Vendors on 16 September 2013, which was the date of completion of the Major Transaction.

### *Very Substantial Disposal (“VSD”)*

On 18 June 2013, the Company and Sansheng (China) Limited (the “Purchaser”) entered into a sale and purchase agreement pursuant to which the Company agreed to sell the entire issued share capital of Expert Global Investments Limited at a cash consideration of RMB110 million (equivalent to approximately HK\$137 million). The VSD was completed on 30 September 2013, the Purchaser has paid RMB105 million and will pay the remaining RMB5 million within six months after the completion date or upon the changes of all legal representatives of all PRC subsidiaries becoming effective, whichever is earlier.

### *Pledge of Assets*

As at 30 September 2013, no assets was pledged by the Group.

### *Capital Commitments*

As at 30 September 2013, the Group’s capital expenditure contracted for but not provided in the Interim Financial Statements in respect of acquisition of property, plant and equipment amounted to HK\$16.5 million

### *Employees and Remuneration Policy*

The Group employed 458 permanent employees as at 30 September 2013, including 22 employees in Hong Kong, 20 in Macau and 416 in the PRC. The Group continued to review the remuneration packages of employees with reference to the level and composition of pay, general market condition and individual performance. Staff benefits include contribution to Mandatory Provident Fund Scheme and discretionary bonus, share option scheme, medical allowance and hospitalization scheme and housing allowance.

### *Contingent Liabilities and Litigations*

The Group’s contingent liabilities are disclosed in Note 16 to the unaudited condensed consolidated interim financial information. The Group has a number of pending litigations and in the opinion of the legal counsel, it is premature to predict the outcome. Details of litigations are disclosed in Note 15 to the unaudited condensed consolidated interim financial information.

## **DIVIDEND**

The Board recommended that no interim dividend be paid for the six months ended 30 September 2013 (Six months ended 30 September 2012: Nil).

## **ADOPTION OF CORPORATE GOVERNANCE PRINCIPLES**

The Board is committed to ensuring high standards of corporate governance practices as set out in the Code on Corporate Governance (“CG Code”) contained in Appendix 14 of the Listing Rules. To the best knowledge of the Board, the Company had complied with the CG Code throughout the Period except for the following deviation:

### **Code Provision A.4.1**

Code Provision A.4.1 provides, inter alia, that non-executive Directors should be appointed for a specific term and subject to re-election.

Non-executive Directors of the Company are not appointed for a specific term. However, they are subject to retirement by rotation and re-election at the annual general meeting of the Company at least once every three years in accordance with the Company’s Bye-laws and the Listing Rules.

## **COMPLIANCE WITH THE MODEL CODE**

Throughout the Period, the Model Code had been taken as the Company’s code of conduct regarding Directors’ securities trading. Having made specific enquiries to all Directors and to the best knowledge of the Board, the Directors had complied with the Model Code throughout the Period.

## **REMUNERATION COMMITTEE**

Throughout the CG Period, the Company had maintained a Remuneration Committee as required under the CG Code. The Remuneration Committee is composed of three INEDs and chaired by Mr. IO Rudy Cheok Kei. The Remuneration Committee is responsible for reviewing and determining the remuneration, compensation and benefits of Directors and senior management. The terms of reference of the Remuneration Committee are available and accessible on the Company's website at <http://www.cyfoundation.com/doc/RemunerationCommittee.pdf>.

## **NOMINATION COMMITTEE**

Throughout the CG Period, the Company had maintained a Nomination Committee as required under the Listing Rules. The Nomination Committee is composed of three Independent Non-executive Directors and chaired by Mr. GOH Hoon Leum. The Nomination Committee is responsible for making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors. The terms of reference of the Nomination Committee are available and accessible on the Company's website at <http://www.cyfoundation.com/doc/NominationCommittee.pdf>.

## **AUDIT COMMITTEE**

Throughout the CG Period, the Company had maintained an Audit Committee as required under the Listing Rules. The Audit Committee is composed of three Independent Non-executive Directors and chaired by Mr. LAI Hock Meng. The Audit Committee is responsible for considering the appointment of external auditor, review the interim and annual financial statements before submission to the Board and the Group's internal control systems. The terms of reference of the Audit Committee are available and accessible on the Company's website at <http://www.cyfoundation.com/doc/AuditCommittee.pdf>.

## **REVIEW OF RESULTS**

The Group's unaudited condensed consolidated results for the Period have been reviewed by the Audit Committee of the Company.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES**

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board  
**Sneah Kar Loon**  
*Chairman*

Hong Kong, 29 November 2013

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