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C Y FOUNDATION GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1182)

MEMORANDUM OF UNDERSTANDING IN RELATION TO A PROPOSED ACQUISITION

This announcement is made pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

The Board is pleased to announce that on 1 April 2014 (after trading hours), the Buyer and the Seller entered into a non-binding MOU, the principal terms of which are set out below. Save for certain provisions such as confidentiality obligations, the provisions of the MOU are non-binding and have no legal effect over either party and are solely for purpose of the furtherance of good faith negotiations between the parties in relation to the subject matter(s) therein.

The Proposed Acquisition is subject to the fulfillment of certain conditions precedent prior to the Completion, including without limitation: i) The Decree has been published and executed by the government of Vietnam specifically allowing to open and operate OCBs at least in first line cities throughout Vietnam; ii) Each of the Operating Company is permitted to operate any and all of the following businesses at least in first line cities throughout Vietnam: (a) Betting in OCBs; (b) Betting by way of simulcast; (c) Betting by using mobile phones; and/or (d) Betting by using Internet; and iii) The satisfactory completion of due diligence on all the Operating Companies by the Buyer on or before signing the Formal Sale and Purchase Agreement.

The MOU is non-binding and the Proposed Acquisition will be subject to the fulfillment of certain conditions precedent to the Completion which may or may not proceed. Accordingly, the issue of this announcement does not in any way imply that the Proposed Acquisition will be completed. Shareholders and potential investors are advised to exercise caution when making any decision related to dealing in the Shares.

PRINCIPAL TERMS OF THE MOU

Date: 1 April 2014

Parties:

Seller: Mr. Nguyen Ngoc My

Buyer: The Company or its nominee(s)

Assets to be acquired: an effective percentage of 49% in each of the Operating Companies

Consideration and its payment terms

- (a) USD20 million by way of the Consideration Shares shall be payable by the Buyer in instalments on such date(s) to be agreed by the Buyer and the Seller;
- (b) At the end of each full year of operations in the first three years after Completion, consideration equivalent to 10% of the EBITDA of the Operating Companies is payable by the Buyer to the Seller by way of the Consideration Shares; and
- (c) Buyer or its nominee(s) and the Operating Companies entering into the Operations Management Agreement

Term Three (3) months from the date of the MOU and it may be renewed for an additional three (3) months upon written agreement between the parties to be executed no less than one (1) month before the expiry of the term.

Exclusivity Buyer and Seller agree that each of them shall only negotiate and enter into any binding agreement in relation to the subject matter in the MOU with each other to the exclusion of all third parties during the said term.

The Board confirms that the terms of the MOU were determined after arm's length negotiations between the parties by reference to the market values of similar businesses. Save for some of the binding provisions, e.g. the term of the MOU, The MOU is non-binding in nature.

INFORMATION ON THE SELLER

The Seller and the Operating Companies and their affiliated companies are currently the only licensed operator in Vietnam carrying on the business for betting on a computerised totalisator betting system for greyhound and horse racing. Aside from the Vietnamese Government owned existing lottery operations, their licenses are the only legal available channels for Vietnamese to gamble on. Furthermore, they are one of the only few privately owned tote operators in Asia other than the Macau greyhound and horse racing operations since almost all other totalisator operations are government owned in Asia.

Currently, VCG Operators operate one greyhound track (Vung Tau Greyhound Track) offering two (2) meetings per week with ten (10) races per meeting, total twenty (20) races per week;

Previously, VCG Operators operated one horse racing track offering two (2) meetings per week with ten (10) races per meeting, total twenty (20) races per week. (In May 2011, VGC Operators' seven (7) years management contract for the Ho Chi Minh track was completed and the Ho Chi Minh government turned the race track venue into a recreational and football premises).

In September 2013 the National Assembly of Vietnam passed a law allowing the government regulation of the business for betting on horse racing, dog racing and international football, as well as off-course betting through OCBs and telecommunication devices. In November 2013, the government released a draft of the executive Decree which VGC Operators have been assisting to draft. The Decree is expected to be approved by September 2014.

Upon the expected implementation of the Decree, existing licensed operators would see a more clear and established regulation for their existing operations, in addition enabling the New Betting Rights.

As the sole licensed operator for the totalisator betting system in Vietnam, the VGC Operators would enjoy the benefit of clearer regulation for its existing operations in addition to the New Betting Rights.

REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION

The Group is principally engaged in manufacturing and sales of packaging products and the management of electronic gaming equipment in Macau.

It has been the business strategy of the Company to proactively seek potential investment opportunities, especially in the gaming industry in order to enhance the return to the Shareholders. The Proposed Acquisition will be an investment opportunity for the Company to develop gaming business in Vietnam.

The Board is of the view that the terms and conditions of the MOU are on normal commercial terms, fair and reasonable and the Proposed Acquisition will be in the interests of the Company and Shareholders as a whole.

GENERAL

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, both the Seller and the Operating Companies and their ultimate beneficial owner(s) are third parties independent of the Company and its connected person(s) (as defined under the Listing Rules).

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As at the date of this announcement, no legally binding agreement or contract relating to the Proposed Acquisition (save for and except the binding provisions in the MOU) has been agreed or entered into by the Company. If the Proposed Acquisition materializes, it may constitute a notifiable transaction on the part of the Company under the Listing Rules. The Company will keep its shareholders and public investors informed of any material development in connection with the Proposed Acquisition by way of further announcement(s) as and when appropriate.

The Board wishes to emphasize that the issue of this announcement does not in any way imply that the Proposed Acquisition will be completed. Shareholders and potential investors are advised to exercise caution when making any decision related to dealing in the Shares.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms shall have the following meanings:

“Betting”	Participation by any Vietnamese in the betting on horse racing, dog or greyhound racing and/or international football games, whether such racing or games occur in Vietnam or in other part(s) of the world which are telecast or simulcast by any electronic means in Vietnam
“Board”	The board of Directors
“Buyer”	The Company or its nominee(s)
“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 (Stock Code: 1182)
“Completion”	Completion of the Proposed Acquisition pursuant to the Formal Sale and Purchase Agreement which shall take place on a date not to exceed six (6) months after the execution thereof
“Consideration Shares”	Shares which are based on the average closing price of the 42 trading days immediately prior to the date of the Formal Sale and Purchase Agreement

“Decree”	Decree on Betting Business Activities for Horse Racing, Greyhound Racing and International Football to be executed by the Vietnam Government
“Director(s)”	The director(s) of the Company, including both executive and independent non-executive directors
“Due Diligence”	Due diligence to be conducted by the Buyer on the Operating Companies
“EBITDA”	Earnings Before Interest, Taxes, Depreciation and Amortization as commonly and generally understood it is calculated: Revenue less Expenses (excluding tax on profits only, interest, depreciation and amortization), prepared under International Financial Reporting Standards
“Formal Sale and Purchase Agreement”	Formal agreement in respect of the Proposed Acquisition to be made between the Buyer and the Seller
“Group”	The Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOU”	The memorandum of understanding in relation to the Proposed Acquisition
“New Betting Rights”	New betting rights to be effective under a plan to regulate and establish the Business for Betting on Horse Racing, Dog Racing and International Football Betting

“OCBs”	Off-Course Betting Outlets
“Operating Companies”	SES, TMM and XTR
“Operations Management Agreement”	An operations management agreement to be entered into between the Buyer and SES, TMM and XTR for operating the race tracks and OCBs
“Proposed Acquisition”	A proposed acquisition of the Sale Shares
“SES”	Sports & Entertainment Services Joint Stock Company, a company incorporated in Vietnam with limited liability, which owns and operates a greyhound racing track at Vung Tau, Vietnam
“Shares”	Ordinary shares of HK\$0.01 each in the capital of the Company
“Shareholders”	Shareholders of the Company
“Sale Shares”	An effective percentage of 49% in each of the shareholding in the Operating Companies”) comprising of forty nine per cent (49%) of the total authorised, issued and paid up capital of TMM; forty nine per cent (49%) of the total authorised, issued and paid up capital of SES; and, forty per cent (40%) of the total authorised, issued and paid up capital of XTR
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TMM”	Thien Ma Madagui Joint Stock Company, a company incorporated in Vietnam with limited liability, which owns and operates a development of a new horse racing track at Madagui, Lam Dong Province, Vietnam

“VCG Operators”	VABIS Group of Companies and affiliated companies (including the Operating Companies) and its principal Mr. Nguyen Ngoc My
“Vietnam”	The Socialist Republic of Vietnam
“XTR”	Xuan Thanh Racing Joint Stock Company, a company incorporated in Vietnam with limited liability, owns and operates the development of a new greyhound racing track at Xuan Thanh, Ha Tinh Province
“USD”	United State dollars, the lawful currency of United State
“%”	per cent.

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

Hong Kong, 1 April 2014

As at the date of this announcement, the executive Directors 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.