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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 2014

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 2014 (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 2014

		Six months ended 30 September	
	<i>Notes</i>	2014	2013
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Continuing operations			
Revenue	4	93,854	28,477
Cost of sales		<u>(67,381)</u>	<u>(21,330)</u>
Gross profit		26,473	7,147
Other income	5	3,662	763
Selling and distribution costs		(2,528)	(510)
Operating, administrative and other expenses		<u>(45,604)</u>	<u>(18,294)</u>
Loss from operations		(17,997)	(10,894)
Exchange (loss)/gain		(587)	208
Settlement sum in respect of a legal proceeding	18(e)	8,890	–
Recovery of receivables previously impaired		1,145	13,201
Finance costs	6	<u>(3,706)</u>	<u>(1,170)</u>
(Loss)/profit before tax		(12,255)	1,345
Income tax	7	<u>332</u>	<u>(215)</u>
(Loss)/profit for the period from continuing operations		(11,923)	1,130
Discontinued operations			
Profit for the period from discontinued operations		<u>–</u>	<u>6,690</u>
(Loss)/profit for the period	8	<u>(11,923)</u>	<u>7,820</u>

	Six months ended	
	30 September	
	2014	2013
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Other comprehensive income/(loss):		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	88	2,413
Exchange differences reclassified to profit or loss on disposal of subsidiaries	–	(30,713)
	<hr/>	<hr/>
Other comprehensive income/(loss) for the period, net of tax	88	(28,300)
	<hr/>	<hr/>
Total comprehensive loss for the period	(11,835)	(20,480)
	<hr/> <hr/>	<hr/> <hr/>
(Loss)/profit for the period attributable to:		
Owners of the Company		
From continuing operations	(11,923)	1,130
From discontinued operations	–	7,696
	<hr/>	<hr/>
(Loss)/profit attributable to owners of the Company	(11,923)	8,826
Non-controlling interests		
From discontinued operations	–	(1,006)
	<hr/>	<hr/>
	(11,923)	7,820
	<hr/> <hr/>	<hr/> <hr/>
Total comprehensive loss for the period attributable to:		
Owners of the Company	(11,835)	(19,491)
Non-controlling interests	–	(989)
	<hr/>	<hr/>
Total comprehensive loss	(11,835)	(20,480)
	<hr/> <hr/>	<hr/> <hr/>
(Loss)/earnings per share (HK cents per share)		
<i>Basic (loss)/earnings per share</i>	<i>9</i>	
From continuing operations	(1.08)	0.11
From discontinued operations	–	0.74
	<hr/>	<hr/>
From continuing and discontinued operations	(1.08)	0.85
	<hr/> <hr/>	<hr/> <hr/>
<i>Diluted (loss)/earnings per share</i>		
From continuing operations	(1.08)	0.11
From discontinued operations	–	0.73
	<hr/>	<hr/>
From continuing and discontinued operations	(1.08)	0.84
	<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2014

	<i>Notes</i>	30 September 2014 HK\$'000 (Unaudited)	31 March 2014 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	<i>11</i>	65,800	76,865
Intangible assets	<i>11</i>	44,325	47,168
Goodwill		59,050	59,050
		169,175	183,083
Current assets			
Inventories		5,019	4,814
Trade and other receivables	<i>12</i>	26,678	23,207
Bank and cash balances		71,826	79,144
		103,523	107,165
Current liabilities			
Trade and other payables	<i>13</i>	12,861	20,720
Due to related companies	<i>14</i>	17,404	22,998
Convertible notes	<i>15</i>	1,860	2,070
		32,125	45,788
Net current assets		71,398	61,377
Total assets less current liabilities		240,573	244,460
Non-current liabilities			
Convertible notes	<i>15</i>	47,629	50,001
Deferred tax liabilities		5,319	5,660
		52,948	55,661
NET ASSETS		187,625	188,799
Capital and reserves			
Share capital	<i>16</i>	11,035	10,538
Reserves		176,590	178,261
TOTAL EQUITY		187,625	188,799

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

1. GENERAL INFORMATION

C Y Foundation Group Limited (the “Company”) was incorporated in Bermuda as an exempted company with limited liability under the Bermuda Companies Act. In the opinion of the directors of the Company (“the Directors”), the Company’s single largest shareholder is Dato POH Po Lian (the “Single Largest Shareholder”). 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 Unit 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 “Stock Exchange”).

The principal activities of the Group are manufacturing of packaging products for luxury goods in China and the provision of services on management of electronic gaming equipment in Macau. In prior period, the Group was also engaged in property investment and digital entertainment business and these operations ceased after 30 September 2013.

2. BASIS OF PREPARATION

The 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 2014 (“2014 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 2014 Annual Report.

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 year beginning on 1 April 2014. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); 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 period and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group 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 impact on its results of operations and financial position.

4. SEGMENT INFORMATION

For management purpose, the Group’s operating segments and their principal activities for the period ended 30 September 2014 are as follows:

Continuing operations:

- Packaging products business – Manufacture of packaging products for luxury goods in China.
- Electronic gaming business – Provision of services on 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 2014:</i>							
Revenue from external customers	29,774	64,080	93,854	-	-	-	93,854
Segment results	3,944	(4,747)	(803)	-	-	-	(803)
<i>At 30 September 2014:</i>							
Segment assets	18,206	172,358	190,564	-	-	-	190,564
<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

There are no intersegment revenue between the reportable segments for both six months ended 30 September 2013 and 2014.

(b) Reconciliation of reportable segment profit or loss

	Six months ended 30 September	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Reconciliation of reportable segment profit or loss for the period:		
Total (loss)/profit of reportable segments	(803)	1,510
Other unallocated and corporate profit or loss	(11,120)	6,310
Elimination of discontinued operations	-	(6,690)
Consolidated (loss)/profit for the period from continuing operations	(11,923)	1,130

5. OTHER INCOME

	Six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income	5	145
Management fee income (<i>note 17</i>)	2,353	221
Rental income	326	19
Gain on disposal of property, plant and equipment	383	122
Subcontracting income	96	–
Sundry income	499	256
	<u>3,662</u>	<u>763</u>

6. FINANCE COSTS

	Six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interests expenses on borrowings wholly repayable within five years:		
– Imputed interests on convertible notes (<i>Note 15</i>)	3,706	1,170
	<u>3,706</u>	<u>1,170</u>

7. INCOME TAX

	Six months ended	
	30 September	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current tax – PRC Enterprise Income Tax	9	263
Deferred tax	(341)	(42)
	<u>(332)</u>	<u>221</u>
Representing:		
Continuing operations	(332)	215
Discontinued operations	<u>–</u>	<u>6</u>
	<u>(332)</u>	<u>221</u>

No provision for Hong Kong profits tax is required since the Group has sufficient tax losses brought forward to set off against assessable profit for the six months ended 30 September 2014 and had no assessable profit for the six months ended 30 September 2013.. Tax arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. Under the Law of 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. (LOSS)/PROFIT FOR THE PERIOD

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

	Six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Continuing operations:		
<i>After charging:</i>		
Cost of inventories sold	19,715	21,167
Depreciation of property, plant and equipment and amortisation of intangible assets	10,979	1,308
Operating lease rentals in respect of land and buildings	990	647
Directors' remuneration	3,067	4,242
Staff costs (including Directors' remuneration):		
Salaries, allowances and other benefits in kind	17,998	9,765
Equity-settled share-based payment	4,699	–
Pension scheme contributions	775	618
Total staff costs	23,472	10,383
<i>And after crediting:</i>		
Gain on disposal of property, plant and equipment	(383)	(122)
Interest income	(5)	(141)
Recovery of receivables previously impaired	(1,145)	(13,201)
Discontinued operations:		
<i>After charging:</i>		
Depreciation of property, plant and equipment and amortisation of intangible assets	–	112
Operating lease rentals in respect of land and buildings	–	674
Staff costs		
Salaries, allowances and other benefits in kind	–	2,862
Pension scheme contributions	–	195
Total staff costs	–	3,057
<i>And after crediting:</i>		
Interest income	–	(4)
Rental income on investment properties less direct operating expenses of HK\$Nil (Six months ended 30 September 2013: HK\$699,000)	–	(5,095)

9. (LOSS)/EARNINGS PER SHARE

(a) From continuing and discontinued operations

Basic (loss)/earnings per share

The calculation of basic loss (Six months ended 30 September 2013: earnings) per share attributable to owners of the Company is based on the loss for the period attributable to owners of the Company of approximately HK\$11,923,000 (Six months ended 30 September 2013: profit of approximately HK\$8,826,000) and the weighted average number of 1,099,152,904 (Six months ended 30 September 2013: 1,045,415,838) ordinary shares in issue during the period.

Diluted (loss)/earnings per share

The diluted loss per share is the same as the basic loss per share for the six months ended 30 September 2014 as the exercise of the Company's outstanding convertible notes and share options would be anti-dilutive.

The calculation of diluted earnings per share attributable to owners of the Company for the six months ended 30 September 2013 was based on the profit for that 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 that 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 that period.

(b) From continuing operations

Basic (loss)/earnings per share

The calculation of basic loss (Six months ended 30 September 2013: earnings) per share from continuing operations attributable to owners of the Company is based on the loss for the period from continuing operations attributable to owners of the Company of approximately HK\$11,923,000 (Six months ended 30 September 2013: profit of approximately HK\$1,130,000) and the denominator used is the same as that detailed in 9(a) above for basic loss (Six months ended 30 September 2013: earnings) per share.

Diluted (loss)/earnings per share

The diluted loss per share is the same as the basic loss per share for the six months ended 30 September 2014 as the exercise of the Company's outstanding convertible notes and share options would be anti-dilutive.

The calculation of diluted earnings per share from continuing operations attributable to owners of the Company for the six months ended 30 September 2013 was based on the profit for that period from continuing operations attributable to owners of the Company of approximately HK\$1,130,000 and the denominator used was the same as that detailed in 9(a) above for diluted earnings per share.

(c) From discontinued operation

Basic earnings per share from the discontinued operations was HK0.74 cents per share and diluted earnings per share from the discontinued operations was HK0.73 cents per share for the period ended 30 September 2013, based on the profit for that period from discontinued operations attributable to the owners of the Company of approximately HK\$7,696,000 and the denominators used were the same as those detailed in 9(a) above for both basic and diluted earnings per share for the six months ended 30 September 2013.

10. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2014 (Six months ended 30 September 2013: HK\$Nil).

11. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Property, plant and equipment	Intangible assets
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Carrying amounts at 1 April 2014 (Audited)	76,865	47,168
Exchange realignment	(226)	–
Additions	1,149	–
Depreciation/amortisation	(8,136)	(2,843)
Disposals	(3,852)	–
	<hr/>	<hr/>
Carrying amounts at 30 September 2014	<u>65,800</u>	<u>44,325</u>

12. TRADE AND OTHER RECEIVABLES

		30 September	31 March
		2014	2014
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Trade receivables		13,843	7,635
<i>Less: Impairment losses</i>		(404)	(3,220)
		13,439	4,415
Other receivables		7,867	17,086
Receivables from settlement of a legal proceeding	<i>18(e)</i>	4,448	–
<i>Less: Impairment losses</i>		(3,000)	(3,000)
		9,315	14,086
Deposits and prepayments		13,225	14,007
Deposits paid for game software development and licenses		30,000	30,000
		43,225	44,007
<i>Less: Impairment losses</i>		(39,301)	(39,301)
		3,924	4,706
		26,678	23,207

- (a) The Group grants a credit period normally ranging from 0 to 30 days (for the year ended 31 March 2014: 0 to 30 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:

	30 September 2014 <i>HK\$'000</i> (Unaudited)	31 March 2014 <i>HK\$'000</i> (Audited)
Within 60 days	11,748	2,717
61 – 90 days	405	150
91 – 180 days	3	215
181 – 365 days	1,283	1,333
	<u>13,439</u>	<u>4,415</u>

13. TRADE AND OTHER PAYABLES

	30 September 2014 <i>HK\$'000</i> (Unaudited)	31 March 2014 <i>HK\$'000</i> (Audited)
Trade payables	3,116	1,984
Accrued expenses and other payables	9,745	18,736
	<u>12,861</u>	<u>20,720</u>

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

	30 September 2014 <i>HK\$'000</i> (Unaudited)	31 March 2014 <i>HK\$'000</i> (Audited)
Within 60 days	2,335	1,501
61 – 90 days	259	64
91 – 180 days	134	37
181 – 365 days	388	–
Over 365 days	–	382
	<u>3,116</u>	<u>1,984</u>

14. DUE TO RELATED COMPANIES

The balances with related companies are unsecured, interest-free and have no fixed repayment terms. These related companies are ultimately controlled by the Single Largest Shareholder.

15. CONVERTIBLE NOTES

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 the Single Largest Shareholder, as the full consideration for acquisition of 100% interest in CY Management Limited (formerly known as Weike (G) Management Macau Limited) on 16 September 2013.

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 will be convertible to 460,000,000 ordinary shares of HK\$0.01 each per HK\$0.15 Weike Note.

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

The movements of the liability component of the Group’s convertible notes during the six months ended 30 September 2014 are as follows:

	<i>HK\$’000</i> (Unaudited)
Liability component at 31 March 2014 (Audited)	52,071
Interest charged for the period	3,706
Interest transferred to accrued charges	(955)
Issue of shares upon conversion of convertible notes	<u>(5,333)</u>
Liability component at 30 September 2014	49,489
Interest payable within one year classified as current liabilities	<u>(1,860)</u>
Non-current portion	<u><u>47,629</u></u>

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

16. SHARE CAPITAL

	<i>Notes</i>	No. of shares <i>'000</i> (Unaudited)	Amount <i>HK\$'000</i> (Unaudited)
<i>Authorised:</i>			
Ordinary shares of HK\$0.01 (31 March 2014: HK\$0.01) each			
At 31 March 2014 and 30 September 2014		<u>30,000,000</u>	<u>300,000</u>
<i>Issued and fully paid:</i>			
Ordinary shares of HK\$0.01 (31 March 2014: HK\$0.01) each			
At 1 April 2014		1,053,757	10,538
Issue of shares upon conversion of convertible notes	<i>(a)</i>	46,666	466
Exercise of share options granted	<i>(b)</i>	<u>3,100</u>	<u>31</u>
At 30 September 2014		<u>1,103,523</u>	<u>11,035</u>

Note:

- (a) During the period, convertible notes of HK\$7,000,000 were converted into 46,666,666 ordinary shares of HK\$0.01 each per HK\$0.15 loan note, resulting in approximately HK\$466,000 and HK\$10,504,000 were recorded in share capital and share premium respectively.
- (b) During the period, the subscription rights attaching to 2,300,000 and 800,000 share options were exercised at the subscription price of HK\$0.1292 and HK\$0.415 per share respectively, resulting in the issue of 3,100,000 additional ordinary shares of HK\$0.01 each for a total cash consideration, before expenses, of approximately HK\$629,000, out of which HK\$31,000 and HK\$1,021,000 were recorded in share capital and share premium respectively.

17. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the Interim Financial Statements, the Group had the following transactions with its related parties during the period:

		Six months ended	
		30 September	
		2014	2013
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Management fee received from Weike (G)			
Management Pte Ltd (“Weike Pte”)	(i)	2,357	221
Technical support service fee received from Weike			
Gaming Technology (S) Pte Ltd. (“Weike Gaming”)	(i)	261	–
Spare parts purchased from Weike Gaming	(ii)	90	–

Notes:

- (i) The management fee and technical support service fee were charged at predetermined amounts agreed between the parties involved.
- (ii) The terms of the purchases are negotiated at normal commercial terms.
- (iii) Weike Pte and Weike Gaming are companies ultimately controlled by the Single Largest Shareholder.

18. 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 old Hong Kong Companies Ordinance (alternative remedy to winding up in cases of unfair prejudice) 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 DCCC No. 476 of 2011 to the Court of Appeal. On 14 March 2014, the Court of Appeal handed down a judgment dismissing applications by Mr. Cheng and Mr. Philip Yu for leave to appeal against their conviction.

By a notice of motion filed on 14 April 2014, Mr. Cheng sought leave to make an application out of time for a certificate under section 32(2) of the Hong Kong Court of Final Appeal Ordinance. On 12 June 2014, the Court of Appeal refused Mr. Cheng's application. Upon a further application by Mr. Cheng to the Appeal Committee of the Court of Final Appeal, leave to appeal was granted on 4 August 2014. The Company was advised that no further step can be taken until the disposal of Mr. Cheng's 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 DCCC No. 476 of 2011 to the Court of Appeal. On 14 March 2014, the Court of Appeal handed down a judgment dismissing applications by Mr. Cheng and Mr. Philip Yu for leave to appeal against their conviction.

By a notice of motion filed on 14 April 2014, Mr. Cheng sought leave to make an application out of time for a certificate under section 32(2) of the Hong Kong Court of Final Appeal Ordinance. On 12 June 2014, the Court of Appeal refused Mr. Cheng's application. Upon a further application by Mr. Cheng to the Appeal Committee of the Court of Final Appeal, leave to appeal was granted on 4 August 2014. The Company was advised that no further step can be taken until the disposal of Mr. Cheng's 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 instituting the claims against the Defendants. The pleadings stage had been completed and the stage of discovery was in progress.

(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. A case management conference was held on 12 March 2014.

Witness statements and expert report(s) had been exchanged between the Plaintiffs and Mr. Cheng. A case management conference was held in September 2014 and the matter was adjourned to June 2015 for another case management conference.

(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").

The trial started on 27 May 2014 but after 6 days' hearing, the action was adjourned on 4 June 2014 to be heard on 21 July 2014. Settlements between the Company and all 12 Defendants were reached and recorded in several consent orders whereby the Company would receive a total settlement sum of HK\$8.89 million inclusive of agreed legal costs (the "Settlement Sum"). Among the Settlement Sum, HK\$4.44 million had been timely paid by the relevant Defendants upto 30 September 2014. The remaining sum of HK\$4.45 million will be paid by the various Defendants to the Company by 1 February 2015.

Post event notes: A further sum of HK\$1.05 million, being part of the Settlement Sum was received during October 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 a 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.

Pre-trial review was held on 16 April 2014 and the trial was scheduled to be held from 23 July 2014 to 30 July 2014.

The parties, prior to the trial dates, came to a settlement of this action, such that Kingbox’s costs of this action up to 26 May 2014 will be paid by Ms. Yung, to be taxed if not agreed. The Company commenced taxation by filling a bill of costs on 24 September 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 Cases”); 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 hearing held on 29 May 2013. It was mentioned in the said decision that the defendants of the CB Cases have to pay Lucky Zone all the sums of convertible notes plus interest up to 11 May 2012.

For one of 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 award made under the said decision. 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) plus legal fee of HK\$100,000. Up to the end of the reporting period, the Company has received around HK\$12.1 million and has HK\$3.5 million receivable from Mr. Leung, and such amounts were included in other income of the consolidated profit or loss and presented as “Recovery of other receivables previously written off/impaired”.

For the other CB case, Bankruptcy Petition was commenced on 6 December 2013 against Mr. Shek. Bankruptcy Order against Mr. Shek had been granted by the Court on 25 June 2014. Proof of debts was filed to the Official Receiver’s Office on 23 July 2014.

More details of the above litigations were disclosed in the 2010/11, 2011/12, 2012/13 and 2013/14 Annual Reports as well as 2011/12, 2012/13 and 2013/14 Interim Reports of the Company respectively and an announcement dated 8 August 2014, the Company will issue further announcements to update the status of the above outstanding litigations when appropriate.

19. COMMITMENTS

(a) Commitments under operating leases

As lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which are payable as follows:

	30 September 2014 <i>HK\$’000</i> (Unaudited)	31 March 2014 <i>HK\$’000</i> (Audited)
Within one year	4,894	4,504
In the second to fifth years, inclusive	3,375	4,537
	<u>8,269</u>	<u>9,041</u>

As lessor

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating lease with its tenant falling due as follows:

	30 September 2014 HK\$'000 (Unaudited)	31 March 2014 HK\$'000 (Audited)
Within one year	603	–
In the second to fifth years, inclusive	249	–
	852	–

(b) Capital commitments

At 30 September 2014, the Group's capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment amounted to approximately HK\$1,422,000 (At 31 March 2014: HK\$4,327,000).

20. CONTINGENT LIABILITIES

As at 30 September 2014, the Group did not have any significant contingent liabilities (At 31 March 2014: HK\$Nil).

21. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These Interim Financial Statements were approved and authorised for issue by the board of Directors on 27 November 2014.

REVIEW AND OUTLOOK

Business and Financial Review

Results

For the period from 1 April 2014 to 30 September 2014 (“Interim Period”), the Group marked two important milestones. First, the Group expanded the electronic gaming business. Two new sites started to operate fully and the total number of gaming machines in operation increased by more than double when compared with the corresponding interim period in 2013. Secondly, the Group made its first positive EBITDA from its operational activities since the Company’s shares resumed trading on the Stock Exchange on 17 July 2012.

The management believes that the Group is on track to turning around. The Group will continue to look for potential sites in Macau as well as Southeast Asia. The Group’s goal is to expand the number of gaming machines in operation to 1,000 by the end of this financial year, and to 3,000 by the end of the financial year ending 31 March 2017. The management expects the electronic gaming business will bring sustainable cash inflow and profit to the Group in the future.

The packaging business of the Group showed operational improvement continuously. Net profit contributed from packaging business improved from approximately HK\$1.4 million to approximately HK\$3.9 million, representing an increase of 179% as compared with the corresponding interim period in 2013. The key reason for the improvement was implementation of semi-automation in some production lines to improve efficiency. The management believes that introduction of semi-automatic machines and other appropriate tools in production lines will help expand the production capacity and lower the manufacturing cost. This is also the key strategy of our packaging business in the future.

During the Interim Period, the electronic gaming business and the packaging business contributed approximately HK\$64.1 million and approximately HK\$29.8 million to the Group’s turnover respectively. While the packaging business contributed a profit, the electronic gaming business was at a loss, which was mainly due to the depreciation of multi-terminal machines and amortization of initial investment cost. Both the electronic gaming business and the packaging business contributed positive EBITDA of approximately HK\$5.2 million and approximately HK\$4.5 million respectively to the Group.

Liquidity, Financial Resources and Foreign Currency Exposure

As at 30 September 2014, the bank and cash balances of the Group amounted to approximately HK\$71.8 million. The Group had total unsecured outstanding borrowings of HK\$66.9 million, comprising amounts due to related companies of approximately HK\$17.4 million and unsecured convertibles notes of approximately HK\$49.5 million. Except the convertible notes of approximately HK\$47.6 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 2014 was 35.7%. As the majority of bank deposits and cash on hand were denominated in Hong Kong Dollar, Renminbi, Macau Pataca and US Dollar, the Group's exchange risk exposure depended on the movement of the exchange rates of the aforesaid currencies.

Material Acquisitions, Disposals and Significant Investment

The Company did not have any material acquisition, disposal or significant investment in subsidiaries and affiliated companies during the Period.

Pledge of Assets

As at 30 September 2014, no assets was pledged by the Group.

Capital Commitments

As at 30 September 2014, 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\$1.4 million.

Contingent Liabilities

The Group's contingent liabilities are disclosed in Note 20 to the unaudited condensed consolidated interim financial information.

EMPLOYEES AND REMUNERATION POLICY

The Group employed approximately 428 permanent employees as at 30 September 2014, including approximately 22 employees in Hong Kong, approximately 382 in the PRC and approximately 24 in Macau. 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.

SHARE OPTION SCHEME

On 3 July 2014 (the “Date of Grant”), the Company has granted 50,950,000 share options (the “Options”) to certain eligible participants of the Group (the “Grantees”) to subscribe for an aggregate of 50,950,000 ordinary shares of HK\$0.01 each in the capital of the Company (the “Shares”) under the share option scheme adopted by the Company on 28 September 2012. Save as the 26,350,000 Options granted to the Directors, the remaining Grantees were full-time employees of the Group on the Date of Grant.

These Options will vest in instalments during the period from 3 July 2014 to 2 July 2019. Each Option shall entitle the holder of the Options to subscribe for one Share upon exercise of the Options at an exercise price of HK\$0.415 per Share, which represents the highest of (i) the closing price of HK\$0.415 per Share as stated in the daily quotations sheet issued by the Stock Exchange on 3 July 2014 (a business day), being the Date of Grant; (ii) the average closing price of HK\$0.402 per Share as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the Date of Grant; and (iii) the nominal value of the Share on the Date of Grant.

3,100,000 Options were exercised during the six months ended 30 September 2014.

The relevant announcements had been issued on 3 July 2014, 14 July 2014 and 8 August 2014 respectively (the “Share Options Announcements”). Capitalized terms used herein shall have the same meanings as those defined in the Share Options Announcements unless the context otherwise requires.

INTERIM DIVIDEND

The Board of Directors of the Company resolved not to declare the payment of an interim dividend for the six months ended 30 September 2014 (six months ended 30 September 2013: Nil). Accordingly, no closure of register of members of the Company is proposed.

CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (“CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities (“Listing Rules”) on the Stock Exchange throughout the six months ended 30 September 2014, 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 a general meeting of the Company at least once every three years in accordance with the Company’s Bye-laws and the Listing Rules.

Code Provision A.6.7

Code Provision A.6.7 provides, inter alia, independent non-executive directors and other non-executive directors, as equal board members, should attend general meetings and develop a balanced understanding of the views of shareholders.

An independent non-executive Director was unable to attend the annual general meeting and special general meeting of the Company, both held on 8 August 2014 as he had other engagement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules for securities transactions by the Directors. Upon enquiry by the Company, all Directors have confirmed that, for the six months ended 30 September 2014, they have complied with the required standard set out in the Model Code regarding securities transactions by the Directors.

REMUNERATION COMMITTEE

The Remuneration Committee is composed of three independent non-executive Directors and chaired by Mr. IO Rudy Cheok Kei. The Remuneration Committee is mainly responsible for reviewing, determining and making recommendations to the Board on 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>.

NOMINATION COMMITTEE

The Nomination Committee is composed of three independent non-executive Directors and chaired by Mr. GOH Hoon Leum. The Nomination Committee is mainly 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>.

AUDIT COMMITTEE

The Audit Committee is composed of three independent non-executive Directors and chaired by Mr. ER Kwong Wah. The Audit Committee is mainly responsible for considering and making recommendations to the Board on the appointment of external auditor, oversight of 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>.

REVIEW OF INTERIM RESULTS

The Audit Committee of the Company has reviewed the unaudited condensed consolidated results for the Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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

By Order of the Board
SNEAH Kar Loon
Chairman

Hong Kong, 27 November 2014

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