
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or otherwise transferred all your Shares, you should at once hand this document and the accompanying Form(s) of Acceptance to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s). This document should be read in conjunction with the accompanying Form(s) of Acceptance, the contents of which form part of the terms of the Offers contained therein.

The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this document and the Form(s) of Acceptance, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document and the Form(s) of Acceptance.

Luck Continent Limited

(Incorporated in the British Virgin Islands with limited liability)

Mandatory conditional cash offers by



**太平基業證券有限公司
PACIFIC FOUNDATION SECURITIES LTD**

on behalf of

Luck Continent Limited for

(i) all the issued shares of HK\$0.001 each in

C Y Foundation Group Limited (stock code: 1182)

**(other than those already owned or agreed to be acquired by
Luck Continent Limited and parties acting in concert with it)
and**

(ii) all outstanding options of C Y Foundation Group Limited

Financial adviser to Luck Continent Limited

VEDA | CAPITAL
智略資本

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this document.

The procedures for acceptance and settlement of the Offers are set out from pages 22 to 29 of, and in Appendix I to this document and in the accompanying Form(s) of Acceptance. Acceptances of the Offers should be received by the Registrar (as regards the Share Offer) or the company secretary of the Company (as regards the Option Offers) by no later than 4:00 p.m. on 12 March 2010 or such later time and/or date as the Offeror may determine and announce, with the consent of the Executive, in accordance with the Takeovers Code.

12 February 2010

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EXPECTED TIMETABLE

The expected timetable set out below is indicative only and may be subject to change. Further announcement(s) will be made as and when appropriate.

2010
(Note 1)

Commencement of the Offers	12 February
Latest time and date for acceptance of the Offers on the first closing date (Note 2)	4:00 p.m. on 12 March
First closing date of the Offers (Note 2)	12 March
Announcement of the results of the Offers and the level of acceptances at the first closing date uploaded to the Stock Exchange's website	not later than 7:00 p.m. on 12 March
Posting of remittance to the Shareholders and the Optionholders in respect of valid acceptances of the Offers lodged on or before the first closing date (if the Offers become unconditional on the first closing date) (Note 3)	22 March
Latest time for acceptance of the Offers (if the Offers become unconditional on the first closing date) (Note 4)	4:00 p.m. on 26 March
Close of the Offers (if the Offers become unconditional on the first closing date) (Note 4)	26 March
Latest date by which the Offers can be declared unconditional (Note 5)	13 April

EXPECTED TIMETABLE

Notes:

1. All times and dates refer to Hong Kong local times and dates.
2. In accordance with the Takeovers Code, the Offers must initially be open for acceptance for at least 28 days following the date on which this document is posted since the offeree board circular will be dispatched separately and later than this document. The latest time for acceptance of the Offers on the first closing date is 4:00 p.m. on 12 March 2010. In the event that the Offers do not become unconditional in all respects on or before the first closing date of 12 March 2010, the Offers will lapse (unless revised or extended by the Offeror in accordance with the Takeovers Code).
3. Subject to the Offers becoming unconditional, the amounts due to each of the Shareholders or the Optionholders (as the case may be) who accepts the Offers shall be paid for by the Offeror as soon as possible but in any event within 10 days of the later of the date on which the Offers become, or are declared unconditional and the date of receipt of a duly completed acceptance in accordance with the Takeovers Code.
4. The Offeror reserves its right to revise or extend the Offers until such date as it may determine in accordance with the Takeovers Code (or as permitted by the Executive in accordance with the Takeovers Code). The Offeror will issue a press announcement in relation to any revision or extension of the Offers, which will state the next closing date or, if the Offers have become or are at that time unconditional as to acceptances, that the Offers will remain open until further notice. In any event, where the Offers become or are declared unconditional, the Offers will remain open for acceptance for not less than 14 days thereafter in accordance with the Takeovers Code.
5. Under Rule 15.5 of the Takeovers Code, except with the consent of the Executive, an offer (whether revised or not) may not become or be declared unconditional as to acceptance after 7:00 p.m. on the 60th day after the day the initial offer document was posted. Accordingly, unless the Offers have previously become or been declared unconditional as to acceptances, the Offers will lapse at 7:00 p.m. on 13 April 2010 unless the Offers are extended by the Offeror with the consent of the Executive.

DEFINITIONS

In this document, unless the context otherwise requires, the following expressions have the following meanings.

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Announcement”	the announcement dated 25 January 2010 made by the Offeror containing, among other matters, details of the Offers
“associates”	has the meaning as ascribed to it in the Listing Rules
“Board”	the board of Directors
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	C Y Foundation Group Limited (Stock code: 1182), a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Stock Exchange
“Directors”	the directors of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates for the time being
“Facility Agreement”	the facility agreement dated 14 January 2010 (as supplemented by a confirmation letter dated 25 January 2010 by UOBKH HK) entered into between UOBKH HK and the Offeror for financing full acceptance of the Offers
“Form(s) of Acceptance”	the accompanying White Form of Acceptance and/or (as the case may be) the Yellow Form of Acceptance
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders other than the Offeror and parties acting in concert with it

DEFINITIONS

“Initial Announcement”	the announcement of the Company dated 26 November 2009 in respect of another possible mandatory general offer of the Shares
“Last Trading Day”	22 January 2010, being the last trading day of the Shares prior to the date of the Announcement
“Latest Practicable Date”	10 February 2010, being the latest practicable date for the purpose of ascertaining certain information for inclusion in this document
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Poh”	Mr. Poh Po Lian, the sole shareholder and the sole director of the Offeror
“Offer Period”	the period from 25 January 2010, being the date of the Announcement, until 4:00 p.m. on 12 March 2010 or such later date as the Offeror may determine and announce with the consent of the Executive in accordance with the Takeovers Code
“Offer Shares”	issued Shares other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it
“Offeror”	Luck Continent Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly and beneficially owned by Mr. Poh
“Offers”	the Share Offer and the Option Offers
“Options”	2008 Options and 2009 Options
“Optionholders”	holders of 2008 Options and 2009 Options
“Option Offers”	the mandatory conditional cash offers made by Pacific Foundation, on behalf of the Offeror, for all outstanding Options in accordance with the Takeovers Code

DEFINITIONS

“Overseas Shareholders”	Shareholders whose addresses on the register of members of the Company are outside Hong Kong
“Pacific Foundation”	Pacific Foundation Securities Limited, a licensed corporation under the SFO permitted to engage in types 1 and 9 regulated activities (dealing in securities and asset management respectively)
“PRC”	the People’s Republic of China, which for the purpose of this document shall exclude Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Previous Exercise”	has the meaning ascribed to it under the paragraph headed “Introduction” in the “Letter from the Offeror” in this document
“Registrar”	Tricor Secretaries Limited, being the Hong Kong branch share registrar and transfer office of the Company which is located at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“Relevant Period”	the period between 26 May 2009, being the date falling on the six months before the date of the Initial Announcement, and the Latest Practicable Date (both dates inclusive)
“Remaining Warrants”	registered warrants held by the Offeror as at 8 January 2010 to subscribe in cash in the amount of HK\$5,000,000 for new Shares at the subscription price of HK\$0.01 per Share
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Offer”	the mandatory conditional cash offer made by Pacific Foundation, on behalf of the Offeror, to acquire all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) in accordance with the Takeovers Code

DEFINITIONS

“Shares”	shares of HK\$0.001 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“UOBKH HK”	UOB Kay Hian (Hong Kong) Limited, a licensed corporation under the SFO permitted to engage in types 1, 4 and 6 regulated activities (dealing in securities, advising on securities and advising on corporate finance respectively)
“Veda Capital”	Veda Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO, the financial adviser to the Offeror in respect of the Offers
“Warrants”	registered warrants held by the Offeror as at 24 November 2009 to subscribe in cash in the amount of HK\$6,000,000 for new Shares at the subscription price of HK\$0.01 per Share
“Warrant Shares”	500,000,000 new Shares issued and allotted to the Offeror upon exercise of the subscription rights of the Remaining Warrants by the Offeror
“White Form of Acceptance”	the form of acceptance and transfer of the Options in WHITE in respect of the Option Offers which accompanies this document
“Yellow Form of Acceptance”	the form of acceptance and transfer of the Offer Shares in YELLOW in respect of the Share Offer which accompanies this document
“2008 Options”	options which were granted on 10 December 2008 pursuant to the share option scheme of the Company adopted on 30 August 2002 and came into effect on 26 September 2002 and remain outstanding as at the Latest Practicable Date, entitling the holders thereof to subscribe for new Shares at an exercise price of \$0.1 per Share

DEFINITIONS

“2009 Options”	options which were granted on 30 April 2009 pursuant to the share option scheme of the Company adopted on 30 August 2002 and came into effect on 26 September 2002 and remain outstanding as at the Latest Practicable Date, entitling the holders thereof to subscribe for new Shares at an exercise price of \$0.52 per Share
“HK\$” and “cents”	Hong Kong Dollars and cents respectively, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE OFFEROR

Luck Continent Limited

(Incorporated in the British Virgin Islands with limited liability)

Registered address:

P.O. Box 957
Offshore Incorporations Centre
Road Town, Tortola
British Virgin Islands

Correspondence address:

Rooms 1604-5, Wheelock House
20 Pedder Street
Central, Hong Kong

12 February 2010

To the Independent Shareholders and the Optionholders

Dear Sir or Madam,

**Mandatory conditional cash offers by
Pacific Foundation Securities Limited
on behalf of Luck Continent Limited for
(i) all the issued shares of HK\$0.001 each in
C Y Foundation Group Limited (stock code: 1182)
(other than those already owned or agreed to be acquired by
Luck Continent Limited and parties acting in concert with it); and
(ii) all outstanding options of C Y Foundation Group Limited**

INTRODUCTION

References are made to the Announcement and the announcement of the Company dated 27 January 2010.

On 24 November 2009, the Offeror exercised the subscription rights in the amount of HK\$1,000,000 pursuant to the Warrants at the subscription price of HK\$0.01 per Share and 100,000,000 Shares were issued and allotted to the Offeror on or around 8 December 2009 (the "Previous Exercise"). On 8 January 2010, the Offeror further exercised the subscription rights in the amount of HK\$5,000,000 pursuant to the Remaining Warrants at the subscription price of HK\$0.01 per Share. 500,000,000 Warrant Shares were issued and allotted to the Offeror in accordance with the conditions of the Remaining Warrants on 21 January 2010.

LETTER FROM THE OFFEROR

Immediately prior to 24 November 2009, the Offeror and parties acting in concert with it were interested in 2,646,264,127 Shares, representing approximately 41.64% of the then issued share capital of the Company. Immediately before the issue and allotment of the Warrant Shares, the Offeror and parties acting in concert with it were interested in 2,746,264,127 Shares, representing approximately 42.45% of the then issued share capital of the Company. Upon the issue and allotment of the Warrant Shares and as at the Latest Practicable Date, the Offeror is interested in 3,246,264,127 Shares, representing approximately 46.58% of the existing issued share capital of the Company. As following the exercise of the subscription rights pursuant to the Remaining Warrants, the Offeror which was then holding more than 30% of the voting rights of the Company acquired additional Shares carrying voting rights of more than 2% from its lowest percentage holding in the previous 12 month period, upon the issue and allotment of the Warrant Shares, the Offeror and parties acting in concert with it are required to make a mandatory conditional cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) pursuant to Rule 26 of the Takeovers Code. Pursuant to Rule 13 of the Takeovers Code, the Offeror is also required to make comparable offers for all the Options. The Offeror informed the Board of its intention to make the Offers on 11 January 2010. Details of the Offers are set out in this letter and the “Letter from Pacific Foundation” of this document, Appendix I to this document and the accompanying Form(s) of Acceptance.

The Company is required to despatch the offeree board circular to the Shareholders and the Optionholders, containing, among other things, the respective advices of the independent board committee of the Company and the independent financial adviser in respect of the Offers within 14 days after the posting of this document.

THE OFFERS

Pacific Foundation, on behalf of the Offeror, is making the Offers in compliance with the Takeovers Code on the following basis:

The Share Offer

For each Share. HK\$0.01 in cash

LETTER FROM THE OFFEROR

The Option Offers

The Offeror is required under Rule 13 of the Takeovers Code to make comparable offers for all the outstanding Options as part of the Offers. As at the Latest Practicable Date, the Company has outstanding Options entitling the relevant Optionholders to subscribe for an aggregate of 7,905,000 new Shares at the exercise price of HK\$0.1 and HK\$0.52 respectively.

For each 2008 Option HK\$0.0001 in cash

For each 2009 Option HK\$0.0001 in cash

The Offeror offers to pay HK\$0.0001 in cash in respect of every Option in consideration of the surrender by the Optionholders of all their rights in respect of such Options. The price for the Option Offers has been determined with reference to the exercise prices under the Options, which are substantially higher than the price for the Share Offer of HK\$0.01 per Share. Accordingly, the price for the Option Offers is equivalent to a nominal value of HK\$0.0001 for each Option.

Condition of the Offers

The Offers are conditional upon the Offeror having received valid acceptances in respect of the Share Offer which, together with the Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it before or during the Offer Period, will result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights of the Company.

Comparisons of value

The price of HK\$0.01 for each Offer Share equals to the subscription price for each Warrant Share under the terms of the Remaining Warrants. The price of HK\$0.01 per Offer Share represents:

- (a) a discount of approximately 91.53% to the closing price of HK\$0.118 per Share as quoted by the Stock Exchange on the last trading day prior to the date of the Initial Announcement;
- (b) a discount of approximately 93.29% to the closing price of HK\$0.149 per Share as quoted by the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 93.59% to the average closing price of approximately HK\$0.156 per Share for the 5 trading days up to and including the Last Trading Day;

LETTER FROM THE OFFEROR

- (d) a discount of approximately 93.90% to the average closing price of approximately HK\$0.164 per Share for the 10 trading days up to and including the Last Trading Day;
- (e) a discount of approximately 92.13% to the closing price of HK\$0.127 per Share as quoted by the Stock Exchange on the Latest Practicable Date;
- (f) a discount of approximately 88.48% to the audited consolidated net asset value per Share of approximately HK\$0.0868 as at 31 March 2009 (based on the audited accounts of the Company for the financial year ended 31 March 2009 and the number of outstanding Shares as at the Latest Practicable Date); and
- (g) a discount of approximately 88.18% to the unaudited consolidated net asset value per Share of approximately HK\$0.0846 as at 30 September 2009 (based on the unaudited accounts of the Company for the six months ended 30 September 2009 and the number of outstanding Shares as at the Latest Practicable Date).

Total consideration

As at the Latest Practicable Date, there were 6,968,710,326 Shares in issue. Based on the price of HK\$0.01 per Offer Share, the entire issued share capital of the Company is valued at approximately HK\$69,687,103 and the 3,722,446,199 Offer Shares under the Share Offer are valued at approximately HK\$37,224,462. Assuming that all 7,905,000 Options are tendered at a price of HK\$0.0001 per Option, the aggregate amount payable by the Offeror under the Option Offers is approximately HK\$791.

Assuming that all the 7,905,000 outstanding Options are fully exercised, there will be 6,976,615,326 Shares in issue and the entire issued share capital of the Company is valued at approximately HK\$69,766,153 under the price for Share Offer, and 3,730,351,199 Shares will be subject to the Share Offer which will be valued at approximately HK\$37,303,512.

The consideration payable in respect of acceptances under the Offers will be met from the facility made available by UOBKH HK under the Facility Agreement. Veda Capital and UOBKH HK are satisfied that there are sufficient financial resources available to the Offeror to satisfy the amount of funds required to meet the full acceptance of the Offers. Veda Capital is the financial adviser to the Offeror and Pacific Foundation is making the Offers on behalf of the Offeror.

LETTER FROM THE OFFEROR

No payment of interest on, repayment of or security for any liability (contingent or otherwise) will depend to any significant extent on the business of the Company.

Effect of accepting the Offers

Acceptance of the Share Offer by any Shareholder will, subject to the Offers becoming unconditional, be deemed to constitute a warranty by such Shareholder that all Shares sold by such Shareholder under the Share Offer are free from all liens, charges, options, claims, equities, adverse interests, third-party rights or encumbrances whatsoever and together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and other distributions declared, made or paid, if any, on or after the date of despatch of this document.

By accepting the Option Offers, the Optionholders will, subject to the Offers becoming unconditional, agree to the cancellation of the Options and to surrender all rights attached thereto with effect from the date of despatch of this document.

The making of the Offers to persons with a registered address in jurisdictions outside Hong Kong may be affected by the applicable laws of the relevant jurisdictions. Shareholders and Optionholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements in their own jurisdictions.

Shareholders should note that if the total number of Shares in respect of which the Offeror receives valid acceptances under the Share Offer together with those already owned or agreed to be acquired by the Offeror and parties acting in concert with it during the Offer Period, will result in the Offeror and parties acting in concert with it holding less than 50% of the voting rights of the Company, the Offers will not become unconditional and will lapse. In such circumstances, pursuant to Rule 20.2 of the Takeovers Code, the Offeror must, as soon as possible but in any event within 10 days thereof, post the Share certificates or Option certificates (as the case may be) lodged with Form(s) of Acceptance to, or make such Share certificates or Option certificates (as the case may be) available for collection by, those Independent Shareholders or Optionholders who have accepted the Offers.

Payment

Payment in cheque in respect of acceptances of the Offers will be made as soon as possible but, in any event, within 10 days of the date of receipt of a duly completed acceptance or when the Offers have become or declared unconditional, whichever is later.

LETTER FROM THE OFFEROR

Stamp duty

Seller's ad valorem stamp duty arising in connection with acceptances of the Share Offer, amounting to HK\$1.00 for every HK\$1,000 or part thereof of the greater of (i) the consideration payable by the Offeror in respect of the relevant acceptance; and (ii) the market value of the Shares, will be payable by the Independent Shareholders who accept the Share Offer and will be deducted from the consideration payable to such Independent Shareholders upon the Offers becoming unconditional. The Offeror will pay the buyer's ad valorem stamp duty on its own behalf and the seller's ad valorem stamp duty on behalf of the accepting Independent Shareholders in respect of the Shares accepted under the Share Offer.

No stamp duty is payable in connection with the acceptances of the Option Offers.

INFORMATION ON THE GROUP

The Company is an investment holding company and its subsidiaries are principally engaged in strategic investments, the provision of online gaming tournament services and digital entertainment operations in the PRC, manufacture and sale of packaging products and watch trading.

INFORMATION ON THE OFFEROR AND ITS INTENTION REGARDING THE COMPANY

The Offeror is a private investment holding company incorporated in the British Virgin Islands. The entire issued share capital of the Offeror is wholly and beneficially owned by Mr. Poh who is also the sole director of the Offeror. Mr. Poh, aged 51, has started his career as an entrepreneur in hospitality and leisure business in Singapore since 1977. Over the past 30 years, Mr. Poh has acquired extensive knowledge in a number of gaming management roles in Asia, including Singapore, Malaysia, Vietnam, the Philippines and Cambodia. He has extensive experience in providing gaming machines solution in Cambodia, Vietnam and the Philippines. Mr. Poh also participated in building the Rendang Beach Resort in Malaysia and the Hainan Wenchang Golf Club in Hainan Province of the PRC. He is also the founder and the chairman of a private company which is a manufacturer and distributor of slot machines, progressive jackpot link system, electronic table games and trilling games. Mr. Poh joined the Group as a Director in February 2007 and participated in the development direction of the Group. Mr. Poh has resigned as a Director with effect from 22 July 2009 due to his own business and other commitments.

LETTER FROM THE OFFEROR

The Offeror has no intention to avail itself of any powers of compulsory acquisition and to privatize the Company. The Offeror intends to maintain the listing of the Shares on the Stock Exchange. It is the intention of the Offeror that the existing principal activities of the Group will remain unchanged and the Offeror has no intention to make any material changes (save for the proposed changes as mentioned under the paragraph headed “Proposed change of Board composition of the Company” in this letter) to the employees or management of the Group or to dispose of any material assets or businesses of the Group other than in its ordinary course of business and has no intention to inject any material assets or businesses into the Group as at the Latest Practicable Date. By exercising the Warrants and making the Offers, the Offeror is able to further consolidate its controlling interest in the Company.

PROPOSED CHANGE OF BOARD COMPOSITION OF THE COMPANY

On 26 November 2009, the Offeror made a requisition to the Company to convene a special general meeting to consider and, if thought fit, to pass resolutions:–

- (1) to increase the maximum number of Directors to 25; and
- (2) to appoint the 13 persons proposed by the Offeror (as enumerated in the announcement of the Company dated 3 December 2009) as additional Directors.

By the announcement of the Company dated 14 December 2009, it was announced that the Company had been advised by Bermuda special legal counsel that there are currently no provisions in the Companies Act 1981 of Bermuda or the Bye-laws of the Company which entitle the Shareholders to nominate and appoint Directors at a special general meeting, and that the Company intended to arrange for a special general meeting to be convened as requisitioned by the Offeror to consider and if appropriate, vote on a proposed increase in the maximum number of Directors to 25, but the Company would not be including proposals to appoint additional Directors at that special general meeting.

Accordingly, a special general meeting of the Company was convened by the Board and held on 25 January 2010 for the purpose of considering and, if thought fit, passing the ordinary resolution that the maximum number of Directors be increased to 25 with immediate effect. At such special general meeting of the Company held on 25 January 2010, it was adjourned to 26 February 2010.

LETTER FROM THE OFFEROR

The Offeror's position is that based on the legal advice received by it, it does not concur with the aforesaid advice of the Bermuda special legal counsel. The Offeror is still seeking legal advice of the actions (including the commencement of legal proceedings) to be taken in relation to such matter. Further announcement(s) setting out details of the appointment of new Directors in accordance with the Listing Rules will be made once the appointment of the new Directors is confirmed.

The Offeror will also seek to remove all or some of the existing Directors.

All appointments, removals and resignations of Directors will be made in full compliance with the requirements of the Takeovers Code and further announcement(s) will be made by the Company in accordance with the requirements of the Listing Rules.

TAX IMPLICATIONS

None of the Offeror, Veda Capital, Pacific Foundation or any of their respective directors or any other parties involved in the Offers is in a position to advise the Independent Shareholders or the Optionholders on their individual tax implications. The Independent Shareholders and the Optionholders are recommended to consult their own professional advisers as to the tax implications that may arise from accepting the Offers. None of the Offeror, Veda Capital, Pacific Foundation or any of their respective directors or any other parties involved in the Offers accepts any responsibility for any tax effect on, or liabilities of, the Independent Shareholders or the Optionholders.

FURTHER TERMS OF THE OFFER

Further terms and conditions of the Offers, including, among other things, procedures for acceptance and settlement, the acceptance period and taxation matters are set out in Appendix I to this document and in the Form(s) of Acceptance.

GENERAL

To ensure equality of treatment of all Shareholders, those registered Shareholders who hold Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owners of the Shares whose investments are registered in nominee names to accept the Share Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Share Offer.

LETTER FROM THE OFFEROR

All documents and remittances sent to the Independent Shareholders and the Optionholders by ordinary post will be sent to them at their own risk. Such documents and remittances will be sent to the Independent Shareholders and the Optionholders at their respective addresses as they appear in the register of members and register of Optionholders of the Company respectively or in the case of joint Independent Shareholders, to the Independent Shareholder whose name appears first in the register of members of the Company. None of the Offeror, Veda Capital, Pacific Foundation or any of their respective directors or professional advisers or any other parties involved in the Offers will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

The Independent Shareholders and the Optionholders are strongly advised to consider carefully the information contained in the offeree board circular to be despatched by the Company, containing, among other things, the respective advice of the independent board committee of the Company and the independent financial adviser in respect of the Offers before making decisions on whether or not to accept the Offers.

Your attention is drawn to the additional information set out in the Appendices to this document, which form part of this document.

Yours faithfully,
For and on behalf of
Luck Continent Limited
POH Po Lian
Sole Director

LETTER FROM PACIFIC FOUNDATION



太平基業證券有限公司
PACIFIC FOUNDATION SECURITIES LTD

11/F, New World Tower II
16-18 Queen's Road Central
Hong Kong

12 February 2010

To the Independent Shareholders and the Optionholders

Dear Sir or Madam,

**Mandatory conditional cash offers by
Pacific Foundation Securities Limited
on behalf of Luck Continent Limited for
(iii) all the issued shares of HK\$0.001 each in
C Y Foundation Group Limited (stock code: 1182)
(other than those already owned or agreed to be acquired by
Luck Continent Limited and parties acting in concert with it); and
(iv) all outstanding options of C Y Foundation Group Limited**

INTRODUCTION

References are made to the Announcement and the announcement of the Company dated 27 January 2010.

Immediately prior to 24 November 2009, the Offeror and parties acting in concert with it were interested in 2,646,264,127 Shares, representing approximately 41.64% of the then issued share capital of the Company. Immediately before the issue and allotment of the Warrant Shares, the Offeror and parties acting in concert with it were interested in 2,746,264,127 Shares, representing approximately 42.45% of the then issued share capital of the Company. Upon the issue and allotment of the Warrant Shares and as at the Latest Practicable Date, the Offeror is interested in 3,246,264,127 Shares, representing approximately 46.58% of the existing issued share capital of the Company. As following the exercise of the subscription rights pursuant to the Remaining Warrants, the Offeror which was then holding more than 30% of the voting rights of the Company acquired

LETTER FROM PACIFIC FOUNDATION

additional Shares carrying voting rights of more than 2% from its lowest percentage holding in the previous 12 month period, upon the issue and allotment of the Warrant Shares, the Offeror and parties acting in concert with it are required to make a mandatory conditional cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) pursuant to Rule 26 of the Takeovers Code. Pursuant to Rule 13 of the Takeovers Code, the Offeror is also required to make comparable offers for all the Options.

THE OFFERS

Pacific Foundation, on behalf of the Offeror, is making the Offers in compliance with the Takeovers Code on the following basis:

The Share Offer

For each Share. HK\$0.01 in cash

The Option Offers

The Offeror is required under Rule 13 of the Takeovers Code to make comparable offers for all the outstanding Options as part of the Offers. The Offeror offers to pay HK\$0.0001 in cash in respect of every Option in consideration of the surrender by the Optionholders of all their rights in respect of such Options.

For each 2008 Option HK\$0.0001 in cash

For each 2009 Option HK\$0.0001 in cash

Condition of the Offers

The Offers are conditional upon the Offeror having received valid acceptances in respect of the Share Offer which, together with the Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it before or during the Offer Period, will result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights of the Company.

LETTER FROM PACIFIC FOUNDATION

Total consideration

As at the Latest Practicable Date, there were 6,968,710,326 Shares in issue. Based on the price of HK\$0.01 per Offer Share, the entire issued share capital of the Company is valued at approximately HK\$69,687,103 and the 3,722,446,199 Offer Shares under the Share Offer are valued at approximately HK\$37,224,462. Assuming that all 7,905,000 Options are tendered at a price of HK\$0.0001 per Option, the aggregate amount payable by the Offeror under the Option Offers is approximately HK\$791.

Assuming that all the 7,905,000 outstanding Options are fully exercised, there will be 6,976,615,326 Shares in issue and the entire issued share capital of the Company is valued at approximately HK\$69,766,153 under the price for Share Offer, and 3,730,351,199 Shares will be subject to the Share Offer which will be valued at approximately HK\$37,303,512.

The consideration payable in respect of acceptances under the Offers will be met from the facility made available by UOBKH HK under the Facility Agreement. Veda Capital and UOBKH HK are satisfied that there are sufficient financial resources available to the Offeror to satisfy the amount of funds required to meet the full acceptance of the Offers. Veda Capital is the financial adviser to the Offeror and Pacific Foundation is making the Offers on behalf of the Offeror.

Effect of accepting the Offers

Acceptance of the Share Offer by any Shareholder will, subject to the Offers becoming unconditional, be deemed to constitute a warranty by such Shareholder that all Shares sold by such Shareholder under the Share Offer are free from all liens, charges, options, claims, equities, adverse interests, third-party rights or encumbrances whatsoever and together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and other distributions declared, made or paid, if any, on or after the date of despatch of this document.

By accepting the Option Offers, the Optionholders will, subject to the Offers becoming unconditional, agree to the cancellation of the Options and to surrender all rights attached thereto with effect from the date of despatch of this document.

The making of the Offers to persons with a registered address in jurisdictions outside Hong Kong may be affected by the applicable laws of the relevant jurisdictions. Shareholders and Optionholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements in their own jurisdictions.

LETTER FROM PACIFIC FOUNDATION

Shareholders should note that if the total number of Shares in respect of which the Offeror receives valid acceptances under the Share Offer together with those already owned or agreed to be acquired by the Offeror and parties acting in concert with it during the Offer Period, will result in the Offeror and parties acting in concert with it holding less than 50% of the voting rights of the Company, the Offers will not become unconditional and will lapse. In such circumstances, pursuant to Rule 20.2 of the Takeovers Code, the Offeror must, as soon as possible but in any event within 10 days thereof, post the Share certificates or Option certificates (as the case may be) lodged with Form(s) of Acceptance to, or make such Share certificates or Option certificates (as the case may be) available for collection by, those Independent Shareholders or Optionholders who have accepted the Offers.

Payment

Payment in cheque in respect of acceptances of the Offers will be made as soon as possible but, in any event, within 10 days of the date of receipt of a duly completed acceptance or when the Offers have become or declared unconditional, whichever is later.

Stamp duty

Seller's ad valorem stamp duty arising in connection with acceptances of the Share Offer, amounting to HK\$1.00 for every HK\$1,000 or part thereof of the greater of (i) the consideration payable by the Offeror in respect of the relevant acceptance; and (ii) the market value of the Shares, will be payable by the Independent Shareholders who accept the Share Offer and will be deducted from the consideration payable to such Independent Shareholders upon the Offers becoming unconditional. The Offeror will pay the buyer's ad valorem stamp duty on its own behalf and the seller's ad valorem stamp duty on behalf of the accepting Independent Shareholders in respect of the Shares accepted under the Share Offer.

No stamp duty is payable in connection with the acceptances of the Option Offers.

TAX IMPLICATIONS

None of the Offeror, Veda Capital, Pacific Foundation or any of their respective directors or any other parties involved in the Offers is in a position to advise the Independent Shareholders or the Optionholders on their individual tax implications. The Independent Shareholders and the Optionholders are recommended to consult their own professional advisers as to the tax implications that may arise from accepting the Offers. None of the Offeror, Veda Capital, Pacific Foundation or any of their respective directors or any other parties involved in the Offers accepts any responsibility for any tax effect on, or liabilities of, the Independent Shareholders or the Optionholders.

LETTER FROM PACIFIC FOUNDATION

FURTHER TERMS OF THE OFFER

Further terms and conditions of the Offers, including, among other things, procedures for acceptance and settlement, the acceptance period and taxation matters are set out in Appendix I to this document and in the Form(s) of Acceptance.

GENERAL

To ensure equality of treatment of all Shareholders, those registered Shareholders who hold Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owners of the Shares whose investments are registered in nominee names to accept the Share Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Share Offer.

All documents and remittances sent to the Independent Shareholders and the Optionholders by ordinary post will be sent to them at their own risk. Such documents and remittances will be sent to the Independent Shareholders and the Optionholders at their respective addresses as they appear in the register of members and register of Optionholders of the Company respectively or in the case of joint Independent Shareholders, to the Independent Shareholder whose name appears first in the register of members of the Company. None of the Offeror, Veda Capital, Pacific Foundation or any of their respective directors or professional advisers or any other parties involved in the Offers will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

The Independent Shareholders and the Optionholders are strongly advised to consider carefully the information contained in the offeree board circular to be despatched by the Company, containing, among other things, the respective advice of the independent board committee of the Company and the independent financial adviser in respect of the Offers before making decisions on whether or not to accept the Offers.

Your attention is drawn to the additional information set out in the Appendices to this document, which form part of this document.

Yours faithfully,
For and on behalf of
Pacific Foundation Securities Limited
Benson Lo
Executive Director

1. PROCEDURES FOR ACCEPTANCE**A. The Share Offer**

If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title in respect of your Shares are in your name, and you wish to accept the Share Offer, you must send the duly completed relevant Yellow Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title and/or any indemnity or indemnities required in respect thereof, for not less than the number of Shares in respect of which you intend to accept the Share Offer by post or by hand, to the Registrar, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in any event not later than 4:00 p.m. on 12 March 2010 or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.

If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title in respect of your Shares is/are in the name of a nominee company or some name other than your own and you wish to accept the Share Offer whether in full or in respect of part of your holding of Shares, you must either:

- (a) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title, with the nominee company, or other nominee, and with instructions authorizing it to accept the Share Offer on your behalf and requesting it to deliver the relevant Yellow Form of Acceptance duly completed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title to the Registrar; or
- (b) arrange for the Shares to be registered in your name by the Company through the Registrar and send the relevant Yellow Form of Acceptance duly completed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title to the Registrar; or
- (c) if your Shares have been lodged with your licensed securities dealer/custodian bank through CCASS, instruct your licensed securities dealer/custodian bank to authorize HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer in your securities/custodian bank for the timing on processing of your instruction, and submit your instruction to your licensed securities dealer/custodian bank as required by them; or

- (d) if your Shares have been lodged with your Investor Participant's Account with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.

If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Share Offer, the Yellow Form of Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipts and/or other document(s) of title or that it/they is/are not readily available. If you find such document(s) or if it/they become available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title, you should also write to the Registrar a letter of indemnity which, when completed in accordance with the instruction given, should be returned to the Registrar.

If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Share Offer, you should nevertheless complete the Yellow Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to any of Pacific Foundation, the Company, the Offeror or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such Share certificates to the Registrar and to authorise and instruct the Registrar to hold such Share certificate(s), subject to the terms and conditions of the Share Offer, as if it/they were delivered to the Registrar with the relevant Yellow Form of Acceptance.

Acceptance of the Share Offer may not be counted as valid unless:

- (a) it is received by the Registrar on or before the latest time for acceptance on the first closing date at 4:00 p.m. on 12 March 2010 (or such later time and/or date as the Offeror may determine and announce with the consent of the Executive) and the Registrar has recorded that the acceptance and any relevant documents required under paragraph (b) below have been so received; and

- (b) the Yellow Form of Acceptance is duly completed and is: (i) accompanied by Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the relevant Shares and, if that/those Share certificate(s) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Shares in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or (ii) from a registered Shareholder or his personal representatives (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under the other subparagraph of this paragraph (b)); or (iii) certified by the Registrar or the Stock Exchange.

If the Yellow Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.

No acknowledgement of receipt of any Yellow Form of Acceptance, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

B. The Option Offers

- (a) If you accept the Option Offers, you should complete the relevant White Form of Acceptance in accordance with the instructions printed thereon, which form part of the terms and conditions of the Option Offers.
- (b) The completed White Form of Acceptance should be forwarded, together with the relevant Option certificate(s) (if any) and/or any other document(s) of title stating the number of outstanding Options in respect of which you intend to accept the Option Offers, by post or by hand to the company secretary of the Company at Room 1701, 17th Floor, The Sun's Group Centre, 200 Gloucester Road, Wanchai, Hong Kong, marked "C Y Foundation Group Limited – Option Offers" on the envelope, as soon as possible and in any event so as to reach the company secretary of the Company at aforesaid address by no later than 4:00 p.m. on 12 March 2010.

2. SETTLEMENT**A. The Share Offer**

Provided that the Yellow Form(s) of Acceptance and relevant Share certificate(s) and/or transfer receipt(s) and/or any document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are in complete and good order and have been received by the Registrar by not later than 4:00 p.m. on 12 March 2010 being the latest time for acceptance of the Share Offer, a cheque for the amount due to the accepting Shareholders in respect of the Shares tendered by them under the Share Offer, less seller's ad valorem stamp duty payable by them, will be despatched to the accepting Shareholders to the addresses specified on the Yellow Forms of Acceptance by ordinary post at their own risk as soon as possible but in any event within 10 days of the later of the date on which the Offers become, or are declared, unconditional and the date on which all the relevant documents are received by the Registrar to render such acceptance complete and valid.

B. The Option Offers

Provided that the White Form(s) of Acceptance of the outstanding Options and Option certificate(s) (if any) are in complete and good order and have been received by the company secretary of the Company not later than 4:00 p.m. on 12 March 2010, a cheque for the amount due to each of the Optionholders in respect of the Options surrendered by the relevant Optionholders under the Option Offers will be despatched to each of them as soon as possible but in any event within 10 days of the later of the date on which the Offers became, or are declared, unconditional and the date on which all the relevant documents are received by the company secretary of the Company to render such acceptance complete and valid.

Settlement of the consideration to which any accepting Shareholder(s) or Optionholder(s) is/are entitled under the Offers will be implemented in full in accordance with the terms of the Offers, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Shareholder and Optionholder.

3. ACCEPTANCE PERIOD AND REVISIONS

Unless the Offers have previously been revised, the latest time and date for acceptance will be 4:00 p.m. on 12 March 2010. The Offeror reserves the right to revise the Offers after the despatch of this document until such day as it may determine and in accordance with the Takeovers Code. If the Offeror revises its terms, all Independent Shareholders and Optionholders, whether or not they have already accepted the Offers, will be entitled to accept the revised Offers under the revised terms.

If the Offers are revised, the announcement of such revision will state the next closing date. If the Offers are revised, it will remain open for acceptance for a period of not less than 14 days from the posting of the revised offer document.

In order to be valid, Yellow Form(s) of Acceptance for the Share Offer must be received by the Registrar and White Form(s) of Acceptance for the Option Offers must be received by the company secretary of the Company in accordance with the instructions printed thereon by 4:00 p.m. on 12 March 2010.

4. ANNOUNCEMENTS

By 6:00 p.m. on 12 March 2010, which is the first closing date of the Offers, or such later time and/or date as the Executive may in exceptional circumstances permit, the Offeror must inform the Executive and the Stock Exchange of its decisions in relation to revision, extension, expiry of the Offers. The Offeror shall publish an announcement to be posted on the Stock Exchange's website by 7:00 p.m. on the first closing date of the Offers stating whether the Offers have been revised or extended, have expired. The announcement shall specify the number of Shares/Options (a) for which valid acceptances have been received, (b) held, controlled or directed by the Offeror or persons acting in concert with it before the period of the Offers; and (c) acquired or agreed to be acquired by the Offeror or any person acting in concert with it during the period of the Offers.

The announcement must include details of any relevant securities in the Company which the Offeror or any person acting in concert with it has borrowed or lent, save for any borrowed Shares which have been either on-lent or sold.

The announcement must specify the percentages of the relevant classes of share capital, and the percentages of voting rights of the Company represented by these numbers of Shares.

5. RIGHT OF WITHDRAWAL

The accepting Shareholders and Optionholders shall be entitled to withdraw their acceptances after 21 days from the first closing date of the Offers, if the Offers have not by then become unconditional as to acceptances. This entitlement to withdraw shall be exercisable until such time as the Offers become or are declared unconditional as to acceptances: however, the final time for the withdrawal must not be later than 4:00 p.m. on the 60th day after the day this document is posted (or any date beyond which the Offeror has stated that the Offers will not be extended).

Save as aforesaid, acceptances of the Offers by the Independent Shareholders and Optionholders shall be irrevocable and cannot be withdrawn except in the circumstances set out in Rule 19.2 of the Takeovers Code which is to the effect that if the Offeror is unable to comply with any of the requirements of making announcements relating to the Offers as described under the section headed “Announcements” above, the Executive may require that acceptors be granted a right of withdrawal on terms acceptable to the Executive until such requirements can be met.

6. STAMP DUTY

Hong Kong stamp duty at a rate of HK\$1.00 for every HK\$1,000 (or part thereof) of the greater of (i) the consideration payable by the Offeror; and (ii) the market value of the Shares (at the discretion of the Collector of Stamp Duty) in respect of relevant acceptances will be deducted from the consideration payable to the accepting Shareholders. The Offeror will then, on behalf of the accepting Shareholders, pay such amount to the Inland Revenue Department of Hong Kong.

The Offeror will also pay stamp duty payable by it as purchaser of the Shares pursuant to the Share Offer based on the gross consideration payable to the accepting Shareholders in respect of the Share Offer.

7. TAXATION

The Independent Shareholders and the Optionholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their accepting the Offers. It is emphasised that none of the Offeror, Veda Capital, Pacific Foundation or any of their respective directors or any persons involved in the Offers accept responsibility for any tax effects or liabilities of any person or persons as a result of their acceptance of the Offers.

8. OVERSEAS SHAREHOLDERS

The making of the Offers to persons with a registered address in jurisdiction outside Hong Kong may be prohibited or affected by the laws of the relevant jurisdiction. Shareholders and Optionholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should obtain appropriate legal advice on, inform themselves about and observe any applicable legal requirement. It is the responsibility of each person who wishes to accept the Offers to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, the compliance with other necessary formalities or legal requirements and the payment of any transfer or other taxes due in respect of such jurisdiction.

9. GENERAL

- (i) Acceptance of the Offers by any person or persons holding Shares/Options will be deemed to constitute a warranty by such person or persons to the Offeror that the Shares/Options acquired under the Offers are sold by any such person or persons free from all liens, charges, encumbrances, equities and third party rights and together with all rights attaching thereto, including the right to receive all dividends and distributions declared, made or paid on or after the date of despatch of this document. The Optionholders, in accepting the Option Offers, as the case may be, will surrender to the Company all of their existing rights, if any, in respect of the Options, following which such Options will be cancelled and extinguished.
- (ii) All communications, notices, Forms of Acceptance, Share certificates, Option certificates, transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to be delivered by or sent to or from the Shareholders or the Optionholders will be delivered by or sent to or from them, or their designated agents, through post at their own risk, and none of the Offeror, the Company, Veda Capital, Pacific Foundation or the Registrar or any of their respective agents, accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.
- (iii) The provisions set out in the Form(s) of Acceptance form part of the terms of the Offers.
- (iv) The accidental omission to despatch this document and/or the Form(s) of Acceptance or any of them to any person to whom the Offers are made will not invalidate the Offers in any way.
- (v) The Offers and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.

- (vi) Due execution of a Form of Acceptance will constitute an authority to the Company, the Offeror, any director of the Offeror, Veda Capital, Pacific Foundation or such person or persons as the Offeror may direct, to complete and execute any document on behalf of the person or persons accepting the Offers and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as it may direct, the Shares or the Options in respect of which such person or persons has/have accepted the Offers.
- (vii) References to the Offers in this document and in the Form(s) of Acceptance shall include any revision thereof.
- (viii) The English text of this document and of the Form(s) of Acceptance shall prevail over their respective Chinese text.

1. RESPONSIBILITY STATEMENT

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinion expressed in this document has been arrived at after due and careful consideration and there are no other facts not contained in this document, the omission of which would make any statement in this document misleading. The information relating to the Group contained in this document has been taken from the announcements and reports issued by the Company as published on the website of the Stock Exchange. The only responsibility accepted by the sole director of the Offeror in respect of information relating to the Group is to ensure that it has been correctly and fairly reproduced or presented.

2. DISCLOSURE OF INTERESTS

In this section, references to any “interest” shall have the meanings ascribed thereto in Part XV of the SFO; and “shareholdings” means the Shares and any other securities of the Company which carry voting rights, and convertible securities, warrants, options and derivatives in respect of any of them.

As at the Latest Practicable Date, the interest of the Offeror in the Shares were as follows:

Name	Capacity/nature of interest	Long position	Short position	Percentage of holding
Offeror	Beneficial interest	3,246,264,127	–	46.58%

As at the Latest Practicable Date, save as disclosed above, none of the Offeror or parties acting in concert with it (including Mr. Poh, the sole director of the Offeror), owned or controlled any Shares, Options, warrants, convertible securities or derivatives of the Company.

3. ADDITIONAL DISCLOSURE OF INTERESTS

- (a) As at the Latest Practicable Date, apart from the charging of 3,246,264,127 Shares held by the Offeror in favour of UOBKH HK pursuant to the terms of the Facility Agreement for financing the Offers, there is no agreement, arrangement or understanding of transferring, charging or pledging any Offer Shares acquired in pursuance of the Share Offer to any other person.

Pursuant to the Facility Agreement, UOBKH HK has granted a facility to the Offeror in an aggregate sum of HK\$37.4 million for financing full acceptance of the Offers until one month from the close of the Offers (or the lapse of the Offers, whichever comes earlier). In consideration of UOBKH HK making or continuing to grant loan facilities under the Facility Agreement, the Offeror has granted a first fixed charge over 3,246,264,127 Shares held by the Offeror. Such first fixed charge has been provided by the Offeror as at the Latest Practicable Date.

- (b) As at the Latest Practicable Date, no benefit (other than statutory compensation) will be or have been given to any Director as compensation for loss of office in any members of the Group or otherwise in connection with the Offers.
- (c) As at the Latest Practicable Date, no agreement, arrangement or understanding (including any compensation arrangement) exists between the Offeror or any person acting in concert with it and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the outcome of the Offers.
- (d) As at the Latest Practicable Date and during the Relevant Period, no Shares or any convertible securities, warrants, options or derivatives issued by the Company had been borrowed or lent by the Offeror or parties acting in concert with it.
- (e) As at the Latest Practicable Date, the Offeror or parties acting in concert with it or its associates had no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any person. No person with whom the Offeror or parties acting in concert with it or its associates had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code owned or controlled any Shares, Options, warrants, convertible securities or derivatives of the Company as at the Latest Practicable Date. During the Relevant Period, no Shares, Options, warrants, convertible securities or derivatives of the Company was owned or controlled by a person with whom the Offeror or any person acting in concert with it had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code, and no such person had dealt in any Shares, Options, warrants, convertible securities or derivatives of the Company during the Relevant Period.
- (f) As at the Latest Practicable Date, no person has irrevocably committed themselves to accept or reject the Offers.

- (g) There is no arrangement (whether by way of option, indemnity or otherwise) in relation to shares of the Offeror or the Company which might be material to the Offers. There are no agreements or arrangements to which the Offeror is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offers.

4. DEALINGS IN SECURITIES OF THE COMPANY

During the Relevant Period, save for the exercise of the subscription rights pursuant to the Remaining Warrants and the Previous Exercise, none of the Offeror or parties acting in concert with it (including Mr. Poh, the sole director of the Offeror) has dealt for value in any Shares, Options, warrants, convertible securities or derivatives of the Company.

5. MARKET PRICES

- (a) The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period was HK\$0.201 on 9 December 2009 and HK\$0.085 on 5 October 2009, respectively.
- (b) The table below sets out the closing prices of the Shares as quoted on the Stock Exchange on the last business day of each of the calendar months during the Relevant Period on which trading of the Shares took place:

Date	Closing Price <i>HK\$</i>
29 May 2009	0.154
30 June 2009	0.140
31 July 2009	0.132
31 August 2009	0.100
30 September 2009	0.091
30 October 2009	0.100
25 November 2009, i.e. the last trading day prior to the date of the Initial Announcement	0.118
30 November 2009	0.141
31 December 2009	0.179
Last Trading Day	0.149
29 January 2010	0.128
Latest Practicable Date	0.127

6. GENERAL

- (a) The registered offices of the Offeror is at the offices of Offshore Incorporations Limited, P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.
- (b) The Offeror is wholly-owned by Mr. Poh who is also the sole director of the Offeror.
- (c) The correspondence address of the Offeror and Mr. Poh is at Rooms 1604-5 Wheelock House, 20 Pedder Street, Central, Hong Kong.
- (d) The registered office of Veda Capital is at Suite 1302, 13/F, Takshing House, 20 Des Voeux Road Central, Hong Kong.
- (e) The registered office of Pacific Foundation is at 11/F, New World Tower II, 16-18 Queen's Road Central, Hong Kong.
- (f) The registered office of UOBKH HK is at 15/F Aon China Building, 29 Queen's Road Central, Hong Kong.
- (g) The English language text of this document and the accompanying Form(s) of Acceptance shall prevail over their respective Chinese language text.

7. EXPERTS AND CONSENTS

The followings are the name and qualifications of the experts who have given opinion or advice which is contained in this document:

Name	Qualification
Veda Capital	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO and the financial adviser to the Offeror
Pacific Foundation	a licensed corporation under the SFO permitted to engage in types 1 and 9 regulated activities (dealing in securities asset management respectively) which makes the Offers on behalf of the Offeror

Veda Capital has given and has not withdrawn its written consent to the issue of this document with the references to its name included herein in the form and context in which they are respectively included.

Pacific Foundation has given and has not withdrawn its written consent to the issue of this document with the references to its name and the copy of its letter included herein in the form and context in which they are respectively included.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection on the respective websites of the SFC (www.sfc.hk) and the Company (www.cyfoundation.com) from the date of this document until the final closing date of the Offers:

- (a) the Memorandum and Articles of Association of the Offeror;
- (b) the letter from the Offeror, the text of which is set out on pages 8 to 16 of this document;
- (c) the letter from Pacific Foundation, the text of which is set out on pages 17 to 21 of this document; and
- (d) the written consents referred to in section headed “Experts and Consents” in this appendix to this document.