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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

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

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**C Y FOUNDATION GROUP LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1182)**

**(I) PROPOSED CONTINUING CONNECTED TRANSACTIONS:  
PROCUREMENT OF THE SLOT AND  
MULTI TERMINAL MACHINES AND RELATED SOFTWARE,  
SYSTEMS AND SERVICES;  
(II) PROPOSED GRANT OF SHARE OPTIONS TO MR. SNEAH;  
(III) PROPOSED AMENDMENTS TO  
THE SHARE OPTION SCHEME;  
AND  
(IV) NOTICE OF SPECIAL GENERAL MEETING**

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

**Nuada Limited**

*Corporate Finance Advisory*

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Capitalised terms used in the cover page shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 6 to 21 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 22 to 23 of this circular. A letter from Nuada Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 24 to 32 of this circular.

A notice convening the SGM of the Company to be held at Horizon Room, 7/F., Metropark Hotel Causeway Bay Hong Kong, 148 Tung Lo Wan Road, Causeway Bay, Hong Kong on 8 August 2014, Friday, at 3:30 p.m. is set out on pages 38 to 46 of this circular.

Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy for use at the SGM in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and, in any event, not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meetings should you so wish.

24 July 2014

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## DEFINITIONS

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*Unless the context otherwise requires, capitalised terms used in this circular shall have the following meanings:*

|                       |  |
|-----------------------|--|
| “Agreement”           | the master supply agreement entered into between the Purchaser and the Supplier dated 18 June 2014 for the sale and purchase of the Products and Services                |
| “Announcement”        | the announcement of the Company dated 18 June 2014 in relation to the Agreement and transactions contemplated thereunder (including the Purchase Caps)                   |
| “associate(s)”        | has the same meaning ascribed thereto in the Listing Rules   |
| “Board”               | the board of Directors   |
| “Business Day”        | a day (other than a Saturday or Sunday) on which licensed banks are open for business in Hong Kong, Macau and Singapore throughout their normal business hours           |
| “Commencement Date”   | the next Business Day from the date of fulfillment of the conditions to the Agreement  |
| “Company”             | C Y Foundation Group Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange |
| “connected person(s)” | has the same meaning ascribed thereto in the Listing Rules   |
| “Dato Poh”            | Dato Poh Po Lian, the single largest Shareholder   |
| “DICJ”                | the Gaming Inspection and Coordination Bureau of Macau   |
| “Director(s)”         | director(s) of the Company   |
| “Group”               | the Company and its subsidiaries   |
| “Hong Kong”           | the Hong Kong Special Administrative Region of the PRC   |

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## DEFINITIONS

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|--------------------------------|---|
| “Independent Board Committee”  | the independent committee of the Board, comprising all the independent non-executive Directors, appointed to give recommendations to the Independent Shareholders of the terms of the Agreement and the transactions contemplated thereunder (including the Purchase Caps)  |
| “Independent Shareholders”     | (in respect of the resolution to approve the Agreement and the transactions contemplated thereunder) Shareholders other than Dato Poh and Mr. Sneah and any of their respective associates (including Luck Continent Limited), or (in respect of the proposed grant of the Share Options to Mr. Sneah) Shareholders other than Mr. Sneah or any of his associates |
| “Independent Third Party(ies)” | any person(s) or company(ies) and their respective ultimate beneficial owner(s) are third parties independent of the Company and its connected persons in accordance with the Listing Rules   |
| “Latest Practicable Date”      | 23 July 2014, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein   |
| “Listing Rules”                | the Rules Governing the Listing of Securities on the Stock Exchange   |
| “Long Stop Date”               | 30 September 2014 (or such other date(s) as may be agreed between the parties to the Agreement)   |
| “Macau”                        | the Macau Special Administrative Region of the PRC  |
| “Mr. Sneah”                    | Mr. Sneah Kar Loon, the chairman of the Company, the executive Director and the director of Weike (S) Pte and the Supplier  |

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## DEFINITIONS

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|---------------------|--|
| “Nuada Limited”     | Nuada Limited, a company incorporated in Hong Kong with limited liability and a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to the fairness and reasonableness of the terms of the Agreement and transactions contemplated thereunder (including the Purchase Caps) |
| “PRC”               | the People’s Republic of China, which for the purpose of this circular excludes Hong Kong, Macau and Taiwan  |
| “Products”          | the products, including but not limited to (i) slot and multi terminal machines; (ii) accessories for installation and set-up of slot and multi terminal machines; (iii) computer equipment for the slot and multi terminal machines; (iv) spare parts of slot and multi terminal machines; (v) the related software and system; and (vi) hardware for supporting related software and system  |
| “Purchase Cap(s)”   | the proposed maximum purchase amount of approximately HK\$62,451,000, HK\$58,004,000 and HK\$80,674,000 for the period from the Commencement Date to 31 March 2015 and each of the two years ending 31 March 2016 and 2017 respectively  |
| “Purchase Price(s)” | the purchase price(s) of the Products (exclusive of freight, carriage and insurance of the products from the warehouse of the Supplier) and the Services with reference to the existing corporate deal package issued by the Supplier subject to any change as agreed between the Supplier and the Purchaser from time to time   |
| “Purchaser”         | CY Management Limited, formally known as Weike (G) Management Macau Limited, an indirect wholly-owned subsidiary of the Company with limited liability by quotas incorporated in Macau, being the purchaser of the Products and the Services under the Agreement   |

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## DEFINITIONS

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|-----------------------|---|
| “Services”            | the services, including but not limited to (i) system support and maintenance service for the related system and software; (ii) monitor system performance; and (iii) distribute software updates   |
| “SFO”                 | Securities and Futures Ordinance (Chapter 571) of the laws of Hong Kong   |
| “SGM”                 | the special general meeting of the Company to be convened and held at Horizon Room, 7/F., Metropark Hotel Causeway Bay Hong Kong, 148 Tung Lo Wan Road, Causeway Bay, Hong Kong on 8 August 2014, Friday, at 3:30 p.m. for the Independent Shareholders to consider and approve, among other matters, the Agreement and the transactions contemplated thereunder (including the Purchase Caps), the proposed grant of Share Options to Mr. Sneah and the proposed amendments to the Share Option Scheme |
| “Share(s)”            | ordinary share(s) of HK\$0.01 each in the share capital of the Company  |
| “Share Option Scheme” | the share option scheme adopted by the Company on 28 September 2012   |
| “Share Options”       | the share options granted to the participants under the Share Option Scheme to subscribe for the Shares in accordance with the Share Option Scheme  |
| “Shareholder(s)”      | the holder(s) of Share(s)   |
| “Singapore”           | the Republic of Singapore   |
| “Stock Exchange”      | The Stock Exchange of Hong Kong Limited   |
| “Supplier”            | Weike Gaming Technology (S) Pte. Ltd., a company incorporated in Singapore with limited liability whose entire issued share capital is owned by Weike (S) Pte, being the supplier of the Products and the Services under the Agreement  |

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## DEFINITIONS

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|-----------------|--|
| “Term”          | the period from the Commencement Date to 31 March 2017   |
| “Weike (S) Pte” | Weike (S) Pte Ltd, a company incorporated in Singapore with limited liability, the issued share capital of which is owned as to 65% by Dato Poh, 10% by Mr. Poh Yuan Rui, 20% by Mr. Sneah and 5% by Independent Third Parties |
| “HK\$”          | Hong Kong dollars, the lawful currency of Hong Kong  |
| “%”             | per cent.  |
| “US\$”          | United States dollars, the lawful currency of the United States  |

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## LETTER FROM THE BOARD

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### C Y FOUNDATION GROUP LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1182)**

*Executive Directors:*

Mr. SNEAH Kar Loon  
Mr. BALAKRISHNAN Narayanan  
Mr. LIN Zheyang  
Mr. LAI Hock Meng

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Independent Non-executive Directors:*

Mr. YONG Peng Tak  
Mr. IO Rudy Cheok Kei  
Mr. GOH Hoon Leum  
Mr. ER Kwong Wah

*Head office and principal place of  
business in Hong Kong:*

Unit 3503B-5, 35th Floor  
148 Electric Road  
North Point  
Hong Kong

24 July 2014

*To the Shareholders,*

Dear Sir or Madam,

**(I) PROPOSED CONTINUING CONNECTED TRANSACTIONS:  
PROCUREMENT OF THE SLOT AND  
MULTI TERMINAL MACHINES AND RELATED SOFTWARE,  
SYSTEMS AND SERVICES;  
(II) PROPOSED GRANT OF SHARE OPTIONS TO MR. SNEAH;  
(III) PROPOSED AMENDMENTS TO  
THE SHARE OPTION SCHEME;  
AND  
(IV) NOTICE OF SPECIAL GENERAL MEETING**

#### INTRODUCTION

Reference is made to the Announcement. The Board is pleased to announce that on 18 June 2014, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreement, pursuant to which, the Supplier agrees to sell and/or supply and the Purchaser agrees to purchase the Products and Services at the Purchase Prices, provided that the purchases by the Group during the Term shall not exceed the relevant Purchase Caps in the amount of HK\$62,451,000, HK\$58,004,000 and HK\$80,674,000 for the period from the Commencement Date to 31 March 2015, and each of the two years ending 31 March 2016 and 2017, respectively.



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## LETTER FROM THE BOARD

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References are also made to the announcements of the Company dated 10 January 2014 and 3 July 2014 respectively whereby the Company announced that the Board had resolved to grant: (i) 11,500,000 Share Options to Mr. Sneah on 10 January 2014; and (ii) 5,800,000 Share Options to Mr. Sneah on 3 July 2014. The Company proposes to amend certain terms and conditions of the Share Option Scheme as proposed in this circular.

The purpose of this circular is to provide you with, among other things, (i) details of the Agreement and the transactions contemplated thereunder; (ii) the Purchase Caps; (iii) the grant of 11,500,000 Share Options and 5,800,000 Share Options to Mr. Sneah on 10 January 2014 and 3 July 2014 respectively; (iv) the proposed amendments to the Share Option Scheme; (v) the letter of recommendation from the Independent Board Committee regarding the terms of the Agreement and the Purchase Caps to the Independent Shareholders; (vi) the letter of advice from Nuada Limited regarding the terms of the Agreement and the Purchase Caps to the Independent Board Committee and the Independent Shareholders; (vii) other information as required to be disclosed under the Listing Rules; and (viii) notice of the SGM.

### **THE AGREEMENT**

The principal terms of the Agreement are as follows:

#### **Date of the Agreement**

18 June 2014

#### **Parties to the Agreement**

The Purchaser and the Supplier

To the best knowledge, information and belief of the Directors after making necessary enquiry, (i) the Supplier is a wholly-owned subsidiary of Weike (S) Pte; (ii) Weike (S) Pte is owned as to 65% by Dato Poh (who is a substantial Shareholder), 10% by Mr. Poh Yuan Rui (who is the son of Dato Poh and also a director of the Purchaser), 20% by Mr. Sneah (who is the executive Director) and 5% by Independent Third Parties; and (iii) the Supplier is a manufacturer of the Products and other related equipment and system and a provider of the Services approved by the relevant authorities including but not limited to DICJ.

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## LETTER FROM THE BOARD

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### **Products and Services**

Pursuant to the Agreement, the Supplier agrees to sell and/or supply and the Purchaser agrees to purchase the Products and Services at the Purchase Prices during the Term.

### **Pricing basis**

The purchase prices of the Products (exclusive of freight, carriage and insurance of the products from the warehouse of the Supplier) and the Services are determined with reference to the existing corporate deal package issued by the Supplier (the “**Package**”) and any subsequent change in purchase prices of the Products and the Services will be subject to further negotiation between the Supplier and the Purchaser from time to time. The Products are charged based on the actual number of the Products purchased from the Supplier and the Services are charged based on the number of slot and multi terminal machines served by the Supplier. According to the Package, the Supplier offers 12-month free Services (the “**Warranty Period**”) and no service fee on the Services will be charged within the first 12 months from the date of the relevant purchases of the Products. After the Warranty Period, US\$18 per slot and multi terminal machine per month will be charged by the Supplier.

In addition, the parties to the Agreement agreed that the Purchase Prices will not be less favourable than the selling prices of the Products and/or Services sold by the Supplier to the Independent Third Parties. The Supplier shall provide a written confirmation annually no later than sixty (60) days from each of the three years ending 31 March 2015, 2016 and 2017 to the Purchaser to confirm that the prices of the Products and/or Services supplied to the Purchaser will not be less favorable than the prices of similar products and/or services of a similar quantity supplied to the Independent Third Parties.

### **Payment terms**

The Purchase Price in respect of the Products except the spare parts of equipment and the related software and systems shall be paid by six monthly equal instalments and the first payment to be made within 30 days upon delivery. Payment terms for the spare parts of equipment are 90 days after delivery. The related software and systems shall be paid as to 30% upon confirmation of the purchase order by the Purchaser as deposit, as to 30% before shipment of the related software and systems and as to balance of 40% after activation of the related software and systems.

With respect to the payment terms for the Services, the Supplier shall send a statement in respect of the Services rendered to the Purchaser on a monthly basis, which shall be verified and confirmed in writing by the Purchaser to the Supplier within five (5) Business Days upon the receipt thereof. Payment shall be made to the Supplier within fourteen (14) Business Days upon the confirmation of the monthly statement by the Purchaser.

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## LETTER FROM THE BOARD

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### **Other terms**

The quotation(s) for Products and/or Services shall be given by the Supplier in writing and sent to the Purchaser upon its request specifying: (i) the quantities and descriptions of the Products and/or Services; (ii) the relevant Purchase Prices; (iii) the expected delivery date; (iv) the mode of delivery; and (v) the terms of payment.

A quotation shall be open for acceptance for a period of seven (7) Business Days from the date of receipt by the Purchaser and may be accepted by the Purchaser at its absolute discretion in respect of the entire or such lesser quantity of the Products and Services specified in the quotation.

### **Conditions precedent**

The Agreement is conditional upon:

- (1) the passing by the Independent Shareholders at a special general meeting of the Company to be convened and held of an ordinary resolution to approve the Agreement and the transactions contemplated thereunder (including the Purchase Caps);
- (2) all necessary consents, authorisations, licenses and approvals required to be obtained on the part of the Supplier in respect of the Agreement having been obtained; and
- (3) all necessary consents, authorisations, licenses and approvals required to be obtained on the part of the Purchaser in respect of the Agreement having been obtained including without limitation the DICJ approval, if required.

If any of the conditions set out in above have not been satisfied on or before the Long Stop Date (no later than 4:00 p.m.), the Agreement shall cease and determine and thereafter neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof. As at the Latest Practicable Date, none of the condition has been fulfilled.

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## LETTER FROM THE BOARD

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### Historical transaction amounts and proposed Purchase Caps

#### *Historical transaction amounts*

For the year ended 31 March 2014, the annual purchase amounts of the Products and the Services from the Supplier by the Purchaser were amounted to HK\$14,670,000 and HK\$Nil respectively. The historical average purchase price of the Products was approximately HK\$220,000 and no service fee was charged on the Services for the six months ended 31 March 2014.

#### *Purchase Caps*

In accordance with Rule 14A.53 of the Listing Rules, the maximum aggregate amounts payable by Purchaser to Supplier for the Products and Services shall not exceed the relevant amount of the Purchase Caps for each of the periods indicated in the following table:

|                      | <b>From the<br/>Commencement<br/>Date to 31 March</b> | <b>Years ending 31 March</b> |             |
|----------------------|---|------------------------------|-------------|
|                      | <b>2015</b>   | <b>2016</b>                  | <b>2017</b> |
|                      | <i>HK\$</i>   | <i>HK\$</i>                  | <i>HK\$</i> |
| Total amount payable | 62,451,000  | 58,004,000                   | 80,674,000  |

In arriving at the above Purchase Caps, the Directors have considered:

- (i) the historical transaction amounts of the Products and the Services for the six months ended 31 March 2014 since the completion of the acquisition of the entire equity interest in the Purchaser by the Group (the “**Acquisition**”) in September 2013;
- (ii) the average purchase price of the Products will increase by approximately 5% per annum for each of the two years ending 31 March 2016 and 31 March 2017;
- (iii) the service fee on the Services will be charged at US\$18 per slot and multi terminal machine per month after the Warranty Period;
- (iv) the Package taken in effect from 1 November 2013, which contained the list prices, discounts and the agreed corporate prices for each of the Products and Services;

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## **LETTER FROM THE BOARD**

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- (v) the prevailing market prices of similar products and services purchased by the Purchaser from other independent suppliers;
- (vi) the projected future needs for the Products and Services after taking into consideration of the business plan of the Group to increase the number of slot and multi terminal machines to be operated under the Group to 3,000 or more slot and multi terminal machines throughout Asia, of which about 30% were/are purchased from the Supplier, in the coming three years; and
- (vii) the future business expansion plan of the Group to focus on developing its business in management of electronic gaming equipment in Macau for the year ending 31 March 2015 and gradually develop the Asian market for the two years ending 31 March 2016 and 2017.

Even though the purchases of the Products and Services from the Supplier for the year ended 31 March 2014 only amounted for approximately 23% of the relevant Purchase Cap for the year ending 31 March 2015, the Directors (including the independent non-executive Directors after taking into account the advice and recommendation from Nuada Limited, but excluding Mr. Sneah who had abstained from voting due to conflict of interest) believe that the above proposed Purchase Caps are reasonably determined after taking into consideration of the aforesaid factors, especially the expected increase in purchase of the Products and the Services.

The terms of the Agreement have been reached after arm's length negotiation between the parties thereto and the Agreement has been entered into in the ordinary and usual course of business of the Group and is on normal commercial terms.

### **INTERNAL CONTROL PROCEDURES OF THE GROUP IN RELATION TO THE PURCHASES FROM THE SUPPLIER**

The Group adopts the following internal control procedures to (i) determine the price and terms of the transactions contemplated under the Agreement so as to ensure that the transactions to be conducted on normal commercial terms and not prejudicial to the Company's and its minority Shareholders' interest and (ii) ensure that the pricing mechanism contemplated under the Agreement has been followed.

1. The technical team of the Purchaser obtains quotation from the Supplier for each purchase and compares the price of similar products provided by at least two other suppliers to ensure the price competitiveness of the products purchased by analyzing the return generated from relevant products.

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## LETTER FROM THE BOARD

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2. Afterwards, the accountant from the finance department of the Group compares the quotation against the Package offered by the Supplier to ensure the products are charged in accordance with the Package.
3. The chief financial officer of the Group approves the aforesaid transaction after performing procedures mentioned in the above point (2) and evaluating the price competitiveness of the relevant products against other quotations provided by other suppliers.
4. The parties to the Agreement agreed that the Purchase Prices will not be less favourable than the selling prices of the Products and/or Services sold by the Supplier to the Independent Third Parties. The Supplier shall provide a written confirmation annually no later than sixty (60) days from each of the three years ending 31 March 2015, 2016 and 2017 to the Purchaser to confirm that the prices of the Products and/or Services supplied to the Purchaser will not be less favorable than the prices of similar products and/or services of a similar quantity supplied to the Independent Third Parties.
5. Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors will review the continuing connected transactions including the purchases under the Agreement every year and confirm in annual report whether those purchases are conducted (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.
6. Pursuant to Rule 14A.56 of the Listing Rules, the Company will engage its auditor to report on the continuing connected transactions including the purchases under the Agreement every year and will provide a letter to the Board confirming whether anything has become to their attention that causes them to believe that the continuing connected transactions (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the purchases involve the provision of the goods and services by the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (v) have exceeded the relevant Purchase Cap.

Based on the aforesaid procedures and policies of the Group for determining the prices and terms of the transactions contemplated under the Agreement, the Board considers that those transactions will be conducted on normal commercial terms and not prejudicial to the Company and its minority Shareholders' interest.

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## LETTER FROM THE BOARD

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### REASONS FOR ENTERING INTO THE AGREEMENT AND BENEFITS EXPECTED TO ACCRUE TO THE GROUP

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

In September 2013, the Group successfully acquired the entire equity interest in the Purchaser, which is a Macau-based casino service provider principally engaged in management of electronic gaming machines in casinos via service agreements. The Purchaser installs electronic gaming machines, including slot and multi terminal machines, slot management systems and all other associated equipment into the gaming destinations and provides full managerial support and operational and technical staff to service the electronic gaming operations. In return, the Purchaser receives periodical performance bonus payments from each casino operator which is generally calculated based on a percentage of the revenue.

Currently, the Purchaser offers the aforesaid management services to three casinos in Macau, namely Casino VIP Legend, Casino Casa Real and Casino Grandview (the “**Macau Sites**”) and also provides information technology services to another two casinos in Macau. At present, the Purchaser installs a mix of slot and multi terminal machines under different brand names in each slot hall to increase the variety of games offered to customers. It also installs a slot management system in each slot hall to monitor the performance of the slot and multi terminal machines, manage slot jackpots and operate player membership system. On top of the slot and multi terminal machines and slot management system installed in Casino VIP Legend prior to the Acquisition, the Purchaser has set up 120 and 2 slot and multi terminal machines and slot management systems respectively in the Macau Sites.

In future, the Purchaser will continue to procure new business relationship in Macau and plans to extend its geographical reach to Asia. It has a business plan to expand its operation to operate 3,000 or more slot and multi terminal machines throughout Asia in the coming three years.

It is the strategy of the Group to continue business relationship with the Supplier, which is one of the approved manufacturers of gaming systems in Macau, and acquire the slot and multi terminal machines and the slot management systems from the Supplier after taking into consideration the need to diversify slot and multi terminal machine mix in the slot halls managed by the Purchaser and the comparatively attractive payment terms and services offered by the Supplier. In addition, the parties to the Agreement agreed that the Purchase Prices will not be less favourable than the selling prices of the Products and/or the Services sold by the Supplier to the Independent Third Parties. The Directors believe that it is beneficial for the Group to enter into the Agreement so as to secure the continual supplies of the slot and multi terminal machines and slot management systems from the Supplier.

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## LETTER FROM THE BOARD

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In consideration of the above, the Directors (including the independent non-executive Directors after taking into account the advice and recommendation from Nuada Limited, but excluding Mr. Sneah who had abstained from voting due to conflict of interest) believe that the terms of the Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **CONNECTED RELATIONSHIP BETWEEN THE PARTIES AND THE IMPLICATIONS OF THE LISTING RULES**

To the best knowledge, information and belief of the Directors, the Supplier is wholly owned by Weike (S) Pte, which is owned as to 65% by Dato Poh (who is a substantial Shareholder and owns approximately 29.17% beneficial equity interest in the Company through Luck Continent Limited), 10% by Mr. Poh Yuan Rui (who is the son of Dato Poh and also a director of the Purchaser), 20% by Mr. Sneah (who is the executive Director and owns approximately 2.13% Shares in the Company)\* and 5% by Independent Third Parties. Each of Dato Poh, Mr. Poh Yuan Rui and Mr. Sneah is a director of Weike (S) Pte and the Supplier. Therefore, the Supplier is a connected person to the Company as defined in the Listing Rules. Accordingly, the transactions contemplated under the Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than the profits ratio) as defined in Rule 14A.06(30) of the Listing Rules in respect of the transactions contemplated under the Agreement exceed 25% and/or the annual consideration is more than HK\$10 million, the Agreement is subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Dato Poh, Mr. Sneah and their respective associates, in aggregate own approximately 31.3% beneficial equity interest in the Company, will abstain from voting in respect of the resolution approving the Agreement and the transactions contemplated thereunder (including the Purchase Caps) at the SGM. Mr. Sneah, the executive Director, has abstained from voting in respect of the aforesaid matters at the meeting of the Board.

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

\* *Mr. Sneah was interested or deemed to be interested in 6,230,000 Shares within the meaning of Part XV of the SFO and was interested in Share Options with the right to subscribe for 17,300,000 Shares within the meaning of Part XV of the SFO, of which only 2,300,000 were vested while the remaining 15,000,000 were not vested.*



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## LETTER FROM THE BOARD

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### INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee which comprises all the independent non-executive Directors has been appointed to advise the Independent Shareholders in respect of the terms of the Agreement and the transactions contemplated thereunder (including the Purchase Caps).

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

### PROPOSED GRANT OF SHARE OPTIONS TO MR. SNEAH

On 10 January 2014, the Board resolved to grant an aggregate of 21,600,000 Share Options to certain eligible participants of the Group, in which a total of 11,500,000 Share Options were granted to Mr. Sneah. On 3 July 2014, the Board further resolved to grant an aggregate of 50,950,000 Share Options to certain eligible participants of the Group, in which a total of 5,800,000 Share Options were granted to Mr. Sneah. Details of the Share Options granted to Mr. Sneah are as follows:

| Date of grant   | Number of Share Options granted | Exercise price<br>(Note) | Validity period  | Vesting conditions   |
|-----------------|---------------------------------|--------------------------|--|--|
| 10 January 2014 | 1,500,000                       | HK\$0.47 per Share       | 10 January 2014 to 9 January 2019<br>(both dates inclusive)  | Nil  |
|                 | 10,000,000                      | HK\$0.47 per Share       | 2,000,000 Share Options during<br>1 December 2014 to 30 November<br>2019 (both dates inclusive);<br>2,000,000 Share Options during<br>1 December 2015 to 30 November<br>2020 (both dates inclusive);<br>2,000,000 Share Options during<br>1 December 2016 to 30 November<br>2021 (both dates inclusive);<br>2,000,000 Share Options during<br>1 December 2017 to 30 November<br>2022 (both dates inclusive); and<br>2,000,000 Share Options during<br>1 December 2018 to 30 November<br>2023 (both dates inclusive). | Mr. Sneah shall<br>remain as the<br>chairman and<br>executive Director |

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## LETTER FROM THE BOARD

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| Date of grant | Number of Share Options granted | Exercise price<br><i>(Note)</i> | Validity period   | Vesting conditions  |
|---------------|---------------------------------|---------------------------------|---|---|
| 3 July 2014   | 800,000                         | HK\$0.415                       | 3 July 2014 to 2 July 2019 (both dates inclusive)   | Nil   |
|               | 5,000,000                       | HK\$0.415                       | 1,000,000 Share Options during<br>1 July 2015 to 30 June 2020<br>(both dates inclusive);<br><br>1,000,000 Share Options during<br>1 July 2016 to 30 June 2021<br>(both dates inclusive);<br><br>1,000,000 Share Options during<br>1 July 2017 to 30 June 2022<br>(both dates inclusive);<br><br>1,000,000 Share Options during<br>1 July 2018 to 30 June 2023<br>(both dates inclusive); and<br><br>1,000,000 Share Options during<br>1 July 2019 to 30 June 2024<br>(both dates inclusive) | All conditional upon<br>the achievement of<br>the target earnings<br>before interest,<br>taxes, depreciation<br>and amortization of<br>the Group in each<br>of the coming five<br>years set by the<br>Board |

*Note:* The exercise price represents the highest of: (i) the closing price per Share as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant; (ii) the average of the closing prices 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.

As stated in the announcements of the Company dated 10 January 2014 and 3 July 2014 respectively, the grants of the Share Options have been reviewed and recommended by the Remuneration Committee of the Company with reference to the Board's corporate goals and objectives and been approved by the Board. In accordance with Rule 17.04(1) of the Listing Rules, the grants of the Share Options to Mr. Sneah on both 10 January 2014 and 3 July 2014 had also been approved by the independent non-executive Directors. As at the Latest Practicable Date, none of the Share Options granted to Mr. Sneah on 10 January 2014 and 3 July 2014 respectively have been exercised.

By offering the Share Options to the eligible participants, the Company intended to reward Directors, chief executive of the Company and employees of the Group for their contribution to the business of the Group and/or to encourage them to remain in the service and/or employment of the Group and devote their best efforts to the Group and thereby would enhance the performance of the Group. On 14 January 2013, a total of 1,500,000 Share Options were also granted to Mr. Sneah.

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## LETTER FROM THE BOARD

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According to Rule 17.03(4) of the Listing Rules, where any further grant of Share Options to a participant would result in the securities issued and to be issued upon exercise of all the Share Options granted and to be granted to such person (including exercised, cancelled and outstanding Share Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the relevant class of securities in issue, such further grant must be separately approved by Shareholders in general meeting. Since the total number of Shares issued and to be issued upon exercise of the Share Options granted to Mr. Sneah in the 12-month periods ended on both 10 January 2014 and 3 July 2014 have exceeded 1% of the Shares then in issue respectively, the grant of 11,500,000 Options to Mr. Sneah on 10 January 2014 and the grant of 5,800,000 Options to Mr. Sneah on 3 July 2014 shall both be approved by the Shareholders at the SGM. As at the Latest Practicable Date, Mr. Sneah was interested or deemed to be interested in 6,230,000 Shares within the meaning of Part XV of the SFO and was interested in share option with the right to subscribe for 17,300,000 Shares within the meaning of Part XV of the SFO, of which only 2,300,000 options were vested while the remaining 15,000,000 options were not vested. Accordingly, Mr. Sneah and his associates shall abstain from voting at the SGM.

### PROPOSED AMENDMENTS TO THE SHARE OPTION SCHEME

The Share Option Scheme was adopted by the Company on 28 September 2012. In order to allow the Board to have more flexibility in the administration of the Share Option Scheme and to improve the attractiveness of the Share Option Scheme as incentive or reward to the eligible participants, the Board proposes to amend the terms and conditions of the Share Option Scheme as set out below.

1. Paragraph 6.3(b) of the Share Options Scheme is amended to provide that if the grantee of a Share Option ceases to be an eligible participant by reason of voluntary resignation or expiration of his term of directorship in accordance with his contract of employment before exercising the Share Option in full, he may exercise the Share Option (to the extent not already exercised) in whole or in part within a period of six months following the date of such cessation.
2. Paragraph 6.3(g) of the Share Options Scheme is amended to provide that if a general or partial offer being made to all Shareholders (or all such holders other than the offeror and/or person controlled by the offeror and/or any person acting in concert (as defined in The Hong Kong Code on Takeovers and Mergers) with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the Share Option, the grantee shall be entitled to exercise the Share Option in full (to the extent not already exercised) or to the extent as may be notified by the Company in writing to the grantee setting out the time within which the Share Option can be exercised.

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## LETTER FROM THE BOARD

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3. Paragraph 4.1 of the Share Option Scheme is amended to be in line with Rule 17.05 of the Listing Rules on restriction on the time of grant of Share Options, i.e. no Share Option shall be granted (i) after Inside Information (as defined in Part XIVA of the SFO) has come to the Company's knowledge until such Inside Information has been announced by the Company; and (ii) during the period commencing from one month immediately preceding the earlier of: (a) the date of the Board meeting for approving the Company's results; and (b) the deadline for the Company to publish its results, and ending on the date of the results announcement.
4. There are some other minor cosmetic changes such as the use of the terms "Exercise Price" instead of "Subscription Price", "Validity Period" instead of "Option Period", and "Inside Information" instead of "price sensitive information" etc.

The original paragraphs 6.3(b), 6.3(g) and 4.1 are set out below.

Save and except the above proposed amendments, all principal terms of the Share Option Scheme remain unchanged and are set out in appendix III to the circular of the Company dated 31 August 2012. A copy of the amended Share Option Scheme with the above proposed amendments incorporated is available for inspection at the principal place of business of the Company in Hong Kong for a period of 14 days before the date of the SGM and at the SGM.

According to note (2) of Rule 17.03 of the Listing Rules, any alterations to the terms and conditions of the Share Option Scheme which are of a material nature must be approved by the Shareholders, except where the alterations take effect automatically under the existing terms of the Share Option Scheme. Accordingly, the proposed amendments to the Share Option Scheme shall be approved by the Shareholders at the SGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, there are no Shareholders having a material interest in the proposed amendments to the Share Option Scheme and accordingly no Shareholder is required to abstain from voting in respect of the resolutions approving the amendments of the Share Option Scheme at the SGM.

For ease of reference, the original paragraphs 6.3(b), 6.3(g) and 4.1 of the Share Option Scheme are reproduced below for comparison:

- "6.3(b) in the event of the Grantee who is an employee or a director of the Group or any Invested Entity ceasing to be an Eligible Participant by reason of ill-health or retirement in accordance with his contract of employment before exercising the Option in full, he may exercise the Option (to the extent not already exercised) in whole or in part in accordance with the provisions of sub-paragraph 6.2 within a period of six months following the date of such cessation or, if any of the events referred to in sub-paragraph 6.3(g), 6.3(h) or 6.3(i) occurs during such period, exercise the Option pursuant to sub-paragraph 6.3(g), 6.3(h) or 6.3(i) respectively. The date of cessation as aforesaid shall be the last day on which the Grantee is actually at work with the Company or the relevant Subsidiary or the relevant Invested Entity whether salary is paid in lieu of notice or not;

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## LETTER FROM THE BOARD

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6.3(g) if a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert (as defined in the Takeover's Code) with the offeror, the Company shall use all its reasonable endeavours to procure that such offer is extended to all the Grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the Options granted to them, shareholders of the Company. If such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to shareholders in the Company, the Grantee shall, notwithstanding any other terms on which his Options were granted, be entitled to exercise the Option (to the extent not already exercised) to its full extent or to the extent specified in the Grantee's notice to the Company in accordance with the provisions of sub-paragraph 6.2 at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under the scheme of arrangement, as the case may be;

4.1 The Board shall, subject to and in accordance with the provisions of this Scheme and the Listing Rules, be entitled (but shall not be bound) at any time and from time to time on any Business Day within a period of ten years commencing on the Adoption Date to make an Offer to such Eligible Participant as it may in its absolute discretion select, and subject to such conditions as the Board may think fit, to subscribe for such number of Shares (being a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof) as the Board may, subject to paragraph 10, determine at the Subscription Price provided that no Option shall be granted by the Board:

- (1) after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published by the Company;
- (2) during the period commencing 60 days immediately preceding the earlier of:
  - (a) the date of the meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company results for any year (whether or not required under the Listing Rules);
  - (b) the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the financial results of the Company (whether or not required under the Listing Rules); and
  - (c) the deadline for the Company to publish an announcement of its results for any year under the Listing Rules (whether or not required under the Listing Rules); and

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## LETTER FROM THE BOARD

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- (3) during the period commencing 30 days immediately preceding the earlier of:
- (a) the date of the meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company results for any half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
  - (b) the deadline for the Company to publish an announcement of its results for any half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules)."

### SGM

The SGM will be held at Horizon Room, 7/F., Metropark Hotel Causeway Bay Hong Kong, 148 Tung Lo Wan Road, Causeway Bay, Hong Kong on 8 August 2014, Friday, at 3:30 p.m. for the purpose of considering, and if thought fit, approving the Agreement and the transactions contemplated thereunder (including the Purchase Caps), the proposed grants of Share Options to Mr. Sneah, and the proposed amendments to the Share Options Scheme. The notice convening the SGM is set out on pages 38 to 46 of this circular and a form of proxy for use at the SGM is also enclosed with this circular. To be valid, the enclosed form of proxy, together with any power of attorney or other authority under which it is signed must be completed in accordance with the instructions printed thereon and delivered to the Hong Kong branch share registrar and transfer office of the Company, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting.

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

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Board (excluding Mr. Sneah in respect of his interest in the Agreement and the proposed grant of Share Options to himself) considers the terms of the Agreement and the transactions contemplated thereunder (including the Purchase Caps), the proposed grant of Share Options to Mr. Sneah, and the proposed amendments to the Share Options Scheme are fair and reasonable and in the interest of the Company and the Shareholders as a whole and accordingly recommends the Shareholders or, as the case may be, the Independent Shareholders to vote in favour of all the resolutions to be proposed at the SGM for approving, among other things, the Agreement and the transactions contemplated thereunder (including the Purchase Caps), the proposed grant of Share Options to Mr. Sneah, and the proposed amendments to the Share Options Scheme.

The Independent Board Committee, having taken into account the advice of Nuada Limited, considers that the terms of the Agreement and the transactions contemplated thereunder (including the Purchase Caps) are fair and reasonable so far as the Independent Shareholders are concerned and accordingly recommends the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the SGM for approving, among other things, the Agreement and the transactions contemplated thereunder (including the Purchase Caps).

### GENERAL INFORMATION

Your attention is drawn to the letter of advice from Nuada Limited set out on pages 24 to 32 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in connection with the term of the Agreement and the transactions contemplated thereunder (including the Purchase Caps) and the letter from the Independent Board Committee set out on pages 22 to 23 of this circular which contains its recommendation to the Independent Shareholders in relation to the terms of the Agreement and the transactions contemplated thereunder (including the Purchase Caps).

### FURTHER INFORMATION

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

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

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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### C Y FOUNDATION GROUP LIMITED

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 1182)

24 July 2014

*To the Independent Shareholders,*

Dear Sir and Madam,

**PROPOSED CONTINUING CONNECTED TRANSACTIONS:  
PROCUREMENT OF THE SLOT AND  
MULTI TERMINAL MACHINES AND RELATED SOFTWARE,  
SYSTEMS AND SERVICES**

We refer to the circular of the Company dated 24 July 2014 (the “**Circular**”) to the Shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been authorised by the Board to advise the Independent Shareholders on whether the terms of the Agreement and the transactions contemplated thereunder (including the Purchase Caps) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

We wish to draw your attention to the letter from the Board set out in pages 6 to 21 of the Circular and the letter from Nuada Limited, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the Agreement and the transactions contemplated thereunder (including the Purchase Caps), set out on pages 24 to 32 of the Circular.

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



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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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

Yours faithfully,

For and on behalf of

**Independent Board Committee**

**Mr. Yong Peng Tak**

*Independent non-executive Director*

**Mr. Io Rudy Cheok Kei**

*Independent non-executive Director*

**Mr. Er Kwong Wah**

*Independent non-executive Director*

**Mr. Goh Hoon Leum**

*Independent non-executive Director*

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## LETTER FROM NUADA LIMITED

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*The following is the full text of the letter of advice to the Independent Board Committee and Independent Shareholders from Nuada Limited dated 24 July 2014 prepared for incorporation in this circular.*

**Nuada Limited**  
*Corporate Finance Advisory*

Unit 1805-08, 18/F  
OfficePlus @Sheung Wan  
93-103 Wing Lok Street  
Sheung Wan, Hong Kong  
香港上環永樂街93-103號  
協成行上環中心18樓1805-08室

24 July 2014

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

Dear Sirs,

### CONTINUING CONNECTED TRANSACTIONS

#### INTRODUCTION

We refer to our engagement as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreement, particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the Company’s circular dated 24 July 2014 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 18 June 2014, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreement, pursuant to which, the Supplier agrees to sell and/or supply and the Purchaser agrees to purchase the Products and Services at the Purchase Prices, provided that the purchases by the Group during the Term shall not exceed the relevant Purchase Caps as stated below:

|                      | <b>From the<br/>Commencement<br/>Date to<br/>31 March 2015<br/>HK\$</b> | <b>Year ending<br/>31 March 2016<br/>HK\$</b> | <b>Year ending<br/>31 March 2017<br/>HK\$</b> |
|----------------------|---|---|---|
| Total amount payable | 62,451,000  | 58,004,000                                    | 80,674,000                                    |

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## LETTER FROM NUADA LIMITED

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As at the date of the Circular, the Supplier is wholly owned by Weike (S) Pte, which is owned as to 65% by Dato Poh (who is a substantial Shareholder and owns approximately 29.17% beneficial equity interest in the Company through Luck Continent Limited), 10% by Mr. Poh Yuan Rui (who is the son of Dato Poh and also a director of the Purchaser), 20% by Mr. Sneah (who is the chairman of the Company and an executive Director and owns approximately 2.13% Shares in the Company) and 5% by Independent Third Parties. Each of Dato Poh, Mr. Poh Yuan Rui and Mr. Sneah is a director of Weike (S) Pte and the Supplier. Therefore, the Supplier is a connected person to the Company as defined in the Listing Rules. Accordingly, the transactions contemplated under the Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (other than the profits ratio) as defined in Rule 14A.06(30) of the Listing Rules in respect of the transactions contemplated under the Agreement exceed 25% and/or the annual consideration is more than HK\$10 million, the Agreement is subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A. of the Listing Rules.

Dato Poh, Mr. Sneah and their respective associates will abstain from voting in respect of the resolution approving the Agreement and the transactions contemplated thereunder (including the Purchase Caps) at the SGM. Mr. Sneah, the executive Director, has abstained from voting in respect of the aforesaid matters at the meeting of the Board.

The Independent Board Committee, comprising Mr. Io Rudy Cheok Kei, Mr. Yong Peng Tak, Mr. Goh Hoon Leum and Mr. Er Kwong Wah, all being independent non-executive Directors, has been appointed to advise the Independent Shareholders on whether the terms of the Agreement and the transactions contemplated thereunder (including the Purchase Caps) are on normal commercial terms and in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole. We, Nuada Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

### **BASIS OF OUR OPINION**

In formulating our opinion, we have relied on the information, opinion and representations contained or referred to in the Circular and the information, opinion and representations provided to us by the management of the Company and the Directors. We have assumed that all information and representations contained or referred to in the Circular and all information and representations which have been provided by the management of the Company and the Directors, for which they are solely and wholly responsible for, were true, accurate and complete at the time when they were made and continue to be so as at the date hereof.

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## LETTER FROM NUADA LIMITED

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Accordingly, we have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and representations contained in the Circular and provided to us by the management of the Company and the Directors, or the reasonableness of the opinions expressed by the management of the Company and the Directors. The Directors collectively and individually accept full responsibility for the accuracy of the information in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in the Circular misleading. Furthermore, we relied on the Company that it has provided us sufficient information to reach an informed view and to provide a reasonable basis for our opinion and we have relied on such information and opinions. We have not, however, conducted any independent in-depth investigation into the business and affairs, financial conditions or the future prospects of the Group, the Supplier and/or their respective subsidiaries or associates.

### **PRINCIPAL FACTORS CONSIDERED**

In assessing the terms of the Agreement and the transactions contemplated thereunder (including the Purchase Caps) and in giving our recommendation to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors and reasons:

#### **1. Reasons for entering into the Agreement**

The Group is principally engaged in manufacturing and sales of packaging products and the management of electronic gaming equipment in Macau. In September 2013, the Group successfully acquired the entire equity interest in the Purchaser, which is a Macau-based casino service provider principally engaged in the management of electronic gaming machines in casinos via service agreements. The Purchaser installs electronic gaming machines, including slot and multi terminal machines, slot management systems and all other associated equipment into the gaming destinations and provides full managerial support and operational and technical staff to service the electronic gaming operations. In return, the Purchaser receives periodical performance bonus payments from each casino operator which is generally calculated based on a percentage of the revenue.

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## LETTER FROM NUADA LIMITED

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Currently, the Purchaser offers the aforesaid management services to three casinos in Macau, namely Casino VIP Legend, Casino Casa Real and Casino Grandview and also provides information technology services to another two casinos in Macau. At present, the Purchaser installs a mix of slot and multi terminal machines under different brand names in each slot hall to increase the variety of games offered to customers. It also installs a slot management system in each slot hall to monitor the performance of the slot and multi terminal machines, manage slot jackpots and operate player membership system. On top of the slot and multi terminal machines and slot management system installed in Casino VIP Legend prior to the Acquisition, the Purchaser has set up 120 and 2 slot and multi terminal machines and slot management systems respectively in the Macau Sites.

In future, the Purchaser will continue to procure new business relationship in Macau and plans to extend its geographical reach to Asia. It has a business plan to expand its operation to operate 3,000 or more slot and multi terminal machines throughout Asia in the coming three years.

It is the strategy of the Group to continue business relationship with the Supplier, which is one of the approved manufacturers of gaming systems in Macau, and acquire the slot and multi terminal machines and the slot management systems from the Supplier after taking into consideration the need to diversify slot and multi terminal machine mix in the slot halls managed by the Purchaser and the comparatively attractive payment terms and services offered by the Supplier. In addition, the parties to the Agreement agreed that the Purchase Prices will not be less favourable than the selling prices of the Products and/or the Services sold by the Supplier to the Independent Third Parties. The Directors believe that it is beneficial for the Group to enter into the Agreement so as to secure the continual supplies of the slot and multi terminal machines and slot management systems from the Supplier. The Company has provided us the information of the selling prices of the Supplier to other purchasers, and we found that the Purchase Prices are not less favourable than such selling prices of the Products and/or the Services sold by the Supplier to the Independent Third Parties. Besides, the Supplier offers better terms including bigger discount on the machines, longer free-of-charge warranty period and better after sales services than other third party suppliers. The return on investment from the machines to be supplied by the Supplier is also higher than the machines to be supplied by other suppliers.

Besides, the Group adopts the internal control procedures as detailed in the Letter from the Board to (i) determine the price and terms of the transactions contemplated under the Agreement so as to ensure that the transactions will be conducted on normal commercial terms and not prejudicial to the Company's and its minority Shareholders' interests; and (ii) ensure that the pricing mechanism contemplated under the Agreement has been followed. We consider that the adoption of the internal control procedures would safeguard the interests of the Independent Shareholders and is beneficial to the Company.

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## LETTER FROM NUADA LIMITED

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We concur with the Directors that (i) it is reasonable to install a mix of slot and multi terminal machines under different brand names in each slot hall to increase the variety of games offered to customers; (ii) the Purchaser is working according to its business plan; (iii) the entering into the Agreement will secure the continual supplies for the Group from an approved manufacturer of gaming systems in Macau; (iv) the Purchase Prices are not less favourable than the selling prices of the Products and/or the Services sold by the Supplier to the Independent Third Parties; and (v) the Group adopts internal control procedures for determining the prices and terms of the transactions contemplated under the Agreement, and we, therefore, consider the entering into the Agreement is in the interests of and beneficial to the Company and the Shareholders as a whole, and is on normal commercial terms and in the Group's ordinary and usual course of business.

### **2. Major terms of the Agreement**

As stated in the Letter from the Board, pursuant to the Agreement, the Supplier agrees to sell and/or supply and the Purchaser agrees to purchase the Products and Services at the Purchase Price during the Term.

#### ***Pricing basis***

The Purchase Prices are determined with reference to the existing corporate deal package (the "**Package**") issued by the Supplier and any subsequent change in Purchase Prices will be subject to further negotiation between the Supplier and the Purchaser from time to time. The Products are charged based on the actual number of the Products purchased from the Supplier and the Services are charged based on the number of slot and multi terminal machines served by the Supplier. According to the Package, the Supplier offers 12-month free Services and no service fee on the Services will be charged within the first 12 months from the date of the relevant purchases of the Products. After the Warranty Period, US\$18 per slot and multi terminal machine per month will be charged by the Supplier.

In addition, the parties to the Agreement agreed that the Purchase Prices will not be less favourable than the selling prices of the Products and/or Services sold by the Supplier to the Independent Third Parties. The Supplier shall provide a written confirmation annually no later than sixty (60) days from each of the three years ending 31 March 2015, 2016 and 2017 to the Purchaser to confirm that the prices of the Products and/or Services supplied to the Purchaser will not be less favorable than the prices of similar products and/or services of a similar quantity supplied to the Independent Third Parties.

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## LETTER FROM NUADA LIMITED

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### *Payment terms*

The Purchase Prices in respect of the Products except the spare parts of equipment and the related software and systems shall be paid by six monthly equal instalments and the first payment to be made within 30 days upon delivery. Payment terms for the spare parts of equipment are 90 days after delivery. The related software and systems shall be paid as to 30% upon confirmation of the purchase order by the Purchaser as deposit, as to 30% before shipment of the related software and systems and as to balance of 40% after activation of the related software and systems.

With respect to the payment terms for the Services, the Supplier shall send a statement in respect of the Services rendered to the Purchaser on a monthly basis, which shall be verified and confirmed in writing by the Purchaser to the Supplier within five (5) Business Days upon the receipt thereof. Payment shall be made to the Supplier within fourteen (14) Business Days upon the confirmation of the monthly statement by the Purchaser.

### *Other terms*

The quotation(s) for Products and/or Services shall be given by the Supplier in writing and sent to the Purchaser upon its request specifying: (i) the quantities and descriptions of the Products and/or Services; (ii) the relevant Purchase Prices; (iii) the expected delivery date; (iv) the mode of delivery; and (v) the terms of payment. A quotation shall be open for acceptance for a period of seven (7) Business Days from the date of receipt by the Purchaser and may be accepted by the Purchaser at its absolute discretion in respect of the entire or such lesser quantity of the Products and Services specified in the quotation.

The Purchaser has also made purchases from 4 other suppliers and we have been provided the pricing and payment terms of the purchases from these suppliers for comparison. We found that the pricing and payment terms offered by the Supplier to the Purchaser are similar or more favorable than the other suppliers.

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## LETTER FROM NUADA LIMITED

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After taking into account: 1) pricing and payments terms of the Supplier are comparable to the other suppliers; and 2) the Supplier shall provide a written confirmation annually no later than sixty (60) days from each of the three years ending 31 March 2015, 2016 and 2017 to the Purchaser to confirm that the prices of the Products and/or Services supplied to the Purchaser will not be less favorable than the prices of similar products and/or services of a similar quantity supplied to the Independent Third Parties, we consider that the terms of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

### 3. Purchase Caps

According to the Agreement, the proposed Purchase Caps will not exceed the following:

|                      | <b>From the<br/>Commencement<br/>Date to<br/>31 March 2015<br/>HK\$</b> | <b>Year ending<br/>31 March 2016<br/>HK\$</b> | <b>Year ending<br/>31 March 2017<br/>HK\$</b> |
|----------------------|---|---|---|
| Total amount payable | 62,451,000  | 58,004,000                                    | 80,674,000                                    |

In arriving at the above Purchase Caps, the Directors have considered (i) the historical transaction amounts of the Products and the Services for the six months ended 31 March 2014 since the completion of the Acquisition in September 2013; (ii) the average purchase price of the Products will increase by approximately 5% per annum for each of the two years ending 31 March 2016 and 31 March 2017; (iii) the service fee on the Services will be charged at US\$18 per slot and multi terminal machine per month after the Warranty Period; (iv) the Package taken in effect from 1 November 2013, which contained the list prices, discounts and the agreed corporate prices for each of the Products and Services; (v) the prevailing market prices of similar products and services purchased by the Purchaser from other independent suppliers; and (vi) the projected future needs for the Products and Services after taking into consideration of the business plan of the Group to increase the number of slot and terminal machines to 3,000 or more slot and multi terminal machines throughout Asia, of which about 30% were/are purchased from the Supplier, in the coming three years.

The terms of the Agreement have been reached after arm's length negotiation between the parties thereto and the Agreement has been entered into in the ordinary and usual course of business of the Group and is on normal commercial terms.



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## LETTER FROM NUADA LIMITED

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To assess the fairness and reasonableness of the Purchase Caps, we have reviewed the calculation of the Purchase Caps according to the historical purchase prices and the assumptions with reference to the business plan and discussed with the Company regarding the basis and review the business plan of the Purchaser. Having reviewed the business plan, we understand that the Purchaser provides services to the electronic gaming machines at Casino Casa Real and Casino Grandview including handling marketing activities for the gaming sites and initiating different marketing campaigns catered to each venue in accordance with the market's needs. Marketing campaigns range from customer loyalty programs, daily-weekly-and-monthly promotions and complementary offerings, which are strategically designed to attract patrons to visit the gaming sites, increase their visitations and stay and encourage the patrons to play longer periods of time at the gaming sites. In addition, the Purchaser has a hands-on approach to the operations by ensuring that the very highest standard of customer service is offered. It allows for direct contact with the patrons in order to gain a better understanding of their needs. In addition the firsthand experience allows for continual improvement of company policies, procedures and overall operation, which is especially essential in Asia's competitive gaming market. The management team is of high caliber, having many years of experience in the industry. The business model is based on a scale structure, where the head office will be able to manage multiple gaming sites under the key managers thus making it easier to move quickly on opportunities in Macau and even new opportunities throughout Asia. As such, based on the above experiences, the Purchaser will expand its business in Macau and the Asian region in the coming three years. The management projected future needs for the Products and Services after taking into consideration of the business plan of the Group to increase the number of slot and terminal machines to be operated under the Group to 3,000 or more slot and multi terminal machines, of which about 30% has been planned to be purchased from the Supplier throughout Asia in the coming three years. We have discussed with the Purchaser and understood that normally around 100 to 200 slot and multi terminal machines will be installed in each casino and the Purchaser has already targeted several casinos in Macau which considered to be their potential business co-operations. Also, the Purchaser has conducted research in some potential markets of the Asian region and recognised that the estimated number of operating slot and multi terminal machines in those markets ranged from several hundreds to less than 15,000 and, therefore, the Purchaser considered that, together with their experiences in Macau, it is beneficial to the Group to expand its business into the Asian region. According

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## LETTER FROM NUADA LIMITED

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to the Purchaser, since the Group plans to expand the business in the Asian region (other than Macau) during the year ending 31 March 2016 which may require more time and effort to develop the new markets, the number of slot and multi terminal machines to be acquired during the year ending 31 March 2016 will be less than the period from the Commencement Date to 31 March 2015. After the establishment of its presence in the markets in the Asian region, the Group will continue to expand in these markets and, therefore, the number of slot and multi terminal machines to be acquired by the Purchaser will increase in the year ending 31 March 2017. Based on (i) the experiences and expertise of the Purchaser; (ii) there are several potential business co-operations in Macau; and (iii) the development potential of the Asian region, we consider that the projection, in relation to the quantity of the slot and multi terminal machines, by the Purchaser according to the business plan is after due and careful consideration and is fair and reasonable. Also according to the World Economic Outlook published in April 2014 by International Monetary Fund (“IMF”), the real GDP as projected by IMF to the World for 2014 and 2015 is 3.6% and 3.9% respectively. As such, the projection of increase in 5% per annum for the average purchase price of the Products will create a buffer for the Purchase Caps and are considered to be reasonable. On the above basis, we consider the Purchase Caps under the Agreement are fair and reasonable.

### RECOMMENDATIONS

Having considered the above principal factors, in particular that the Group can secure stable and reliable supplies by entering into the Agreement, we are of the opinion that entering into the Agreement is in the ordinary and usual course of business of the Group, the terms of the Agreement are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned and the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders, and also recommend the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant resolution to be proposed at the SGM to approve the Agreement and the transactions contemplated thereunder including the Purchase Caps.

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

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS

### Directors and chief executive of the Company

As at the Latest Practicable Date, the following Directors and chief executive had interests or short positions in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which would be required (a) to be notified to the Company or the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the requirements of the Model Code for Securities Transactions by Directors of Listed Issuers (the ‘**Model Code**’):

#### *Long positions in Shares or underlying shares of the Company*

| Name                       | Capacity                                    | Number of shares | Shareholding (%) |
|----------------------------|---|------------------|------------------|
| Mr. Sneah                  | Beneficial owner                            | 23,530,000*      | 2.13             |
| Mr. Balakrishnan Narayanan | Himself and his spouse as beneficial owners | 4,910,000        | 0.45             |
| Mr. Lin Zheyang            | Beneficial owner                            | 8,550,000        | 0.78             |
| Mr. Io Rudy Cheok Kei      | Beneficial owner                            | 3,800,000        | 0.34             |
| Mr. Lai Hock Meng          | Beneficial owner                            | 11,800,000       | 1.07             |
| Mr. Goh Hoon Leum          | Himself and his spouse as beneficial owners | 2,800,000        | 0.25             |
| Mr. Yong Peng Tak          | Beneficial owner                            | 1,800,000        | 0.16             |

\* Mr. Sneah was interested or deemed to be interested in 6,230,000 Shares within the meaning of Part XV of the SFO and was interested in Share Options with the right to subscribe for 17,300,000 Shares within the meaning of Part XV of the SFO, of which only 2,300,000 were vested while the remaining 15,000,000 were not vested.

Save as disclosed above, as at the Latest Practicable Date, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any Director or chief executive of the Company or their respective associates in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein.

### Substantial Shareholders

As at the Latest Practicable Date, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that, the following Shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

#### *Long positions in Shares or underlying shares of the Company*

| Name                                   | Capacity                           | Number of shares | Shareholding (%) |
|--|------------------------------------|------------------|------------------|
| Dato Poh                               | Interest of controlled corporation | 734,959,745**    | 66.65            |
| Weike (G) Management Pte Ltd<br>(Note) | Beneficial owner                   | 413,333,333*     | 37.48            |
| Luck Continent Limited                 | Beneficial owner                   | 321,626,412      | 29.17            |
| Phua Wei Seng                          | Interest of controlled corporation | 174,217,758      | 15.80            |
| Steady Enterprises Limited             | Beneficial owner                   | 174,217,758      | 15.80            |

Note: Mr. Sneah, a Director, is also a director of Weike (G) Management Pte Ltd.

\* 413,333,333 underlying Shares related to the conversion shares which may be issued under the convertible notes issued by the Company on 16 September 2013.

\*\* Including 413,333,333 underlying Shares related to the conversion shares which may be issued under the convertible notes issued by the Company on 16 September 2013.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at the Latest Practicable Date.

**3. COMPETING INTEREST**

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest in any business which compete or might compete with the business of the Group.

**4. MATERIAL ADVERSE CHANGES**

As at the Latest Practicable Date, the Directors are not aware of any material adverse changes in the financial or trading position of the Group since 31 March 2014, the date of which the latest published audited accounts of the Company were made up.

**5. SERVICE CONTRACTS**

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

**6. DIRECTORS' INTEREST IN ASSETS AND/OR ARRANGEMENT**

Save for the Agreement in which Mr. Sneah is interested, as at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to the business of the Group, and none of the Directors had any direct or indirect interest in any assets which have been, since 31 March 2014 (being the date to which the latest published audited financial statements of the Group were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group.

**7. EXPERT'S QUALIFICATION AND CONSENT**

The following is the name and qualification of the expert who has given an opinion or advice contained in this circular:

| <b>Name</b>   | <b>Qualification</b>  |
|---------------|---|
| Nuada Limited | a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO |

As at the Latest Practicable Date, Nuada Limited did not have:

- (a) any direct or indirect interest in any assets which have since 31 March 2014 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (b) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Nuada Limited has given and has not withdrawn its consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which they respectively appear.

## **8. GENERAL**

- (a) The company secretary of the Company is Mr. Tam Chong Cheoung, Aaron was admitted as solicitor of High Court in 1997, is a member of the Law Society of Hong Kong and holds a current practising certificate.

He has over 15 years of experience as in-house legal counsel of listed companies in Hong Kong.

- (b) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The head office and principal place of business of the Company in Hong Kong is situated at Unit 3503B-5, 35th Floor, 148 Electric Road, North Point, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

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

- (a) the Agreement;
- (b) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 22 to 23 of this circular;
- (c) the letter from Nuada Limited containing its advice to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 24 to 32 of this circular;
- (d) the written consent of Nuada Limited referred to in the paragraph headed “Expert’s Qualification and Consent” in this appendix; and
- (e) a copy of the amended Share Option Scheme.

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## NOTICE OF SGM

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### C Y FOUNDATION GROUP LIMITED

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 1182)

#### NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (“SGM”) of C Y Foundation Group Limited (the “Company”) will be held at Horizon Room, 7/F., Metropark Hotel Causeway Bay Hong Kong, 148 Tung Lo Wan Road, Causeway Bay, Hong Kong on 8 August 2014, Friday, at 3:30 p.m. for the purposes of considering and, if thought fit, passing the following resolutions of the Company:

#### ORDINARY RESOLUTIONS

1. “THAT:
  - (a) the master supply agreement (the “Agreement”) entered into between CY Management Limited as purchaser and Weike Gaming Technology (S) Pte. Ltd. as supplier dated 18 June 2014 in respect of the sale and purchase of the slot and multi terminal machines and related software and systems, and the provision of the related services (together the “Products and Services”) for a term commencing from the next business day after the Agreement becoming unconditional (the “Commencement Date”) and up to 31 March 2017 (a copy of the Agreement is marked “A” and produced to the SGM and signed by the chairman of the SGM for identification purpose) and the transactions contemplated thereby be and are hereby approved, confirmed and ratified;
  - (b) the maximum purchase amount of the Products and Services (the “Purchase Cap(s)”) under the Agreement of HK\$62,451,000, HK\$58,004,000 and HK\$80,674,000 for the period from the Commencement Date to 31 March 2015 and each of the two years ending 31 March 2016 and 2017 respectively be and are hereby approved; and
  - (c) any one or more directors (the “Directors”) of the Company be and are hereby authorised to do all such acts and things as they consider necessary or expedient for the purposes of giving effect to the Agreement and the transactions contemplated thereby.”



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## NOTICE OF SGM

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2. **“THAT**
  - (a) the grant of 11,500,000 share options (the **“Options”**) on 10 January 2014 pursuant to the share option scheme (the **“Share Option Scheme”**) of the Company adopted on 28 September 2012 to Mr. Sneah Kar Loon (**“Mr. Sneah”**) entitling him to subscribe for 11,500,000 ordinary shares (each a **“Share”**) of HK0.01 each in the share capital of the Company at the exercise price of HK\$0.47 per Share subject to such conditions on the exercise of the 11,500,000 Options as stipulated in the offer letter issued to Mr. Sneah dated 10 January 2014 be approved, confirmed and ratified; and
  - (b) any one of the Directors or a duly authorised committee thereof be and is hereby authorised to do any act or things to sign, seal, execute and/or deliver any documents for and on behalf of the Company as may be necessary, desirable or expedient in connection with the grant of the 11,500,000 Options to Mr. Sneah.”
  
3. **“THAT**
  - (a) the grant of 5,800,000 Options on 3 July 2014 pursuant to the Share Option Scheme to Mr. Sneah entitling him to subscribe for 5,800,000 Shares at the exercise price of HK\$0.415 per Share subject to such conditions on the exercise of the 5,800,000 Share Options as stipulated in the offer letter issued to Mr. Sneah dated 3 July 2014 be approved, confirmed and ratified; and
  - (b) any one of the Directors or a duly authorised committee thereof be and is hereby authorised to do any act or things to sign, seal, execute and/or deliver any documents for and on behalf of the Company as may be necessary, desirable or expedient in connection with the grant of the 5,800,000 Options to Mr. Sneah.”
  
4. **“THAT** the Share Option Scheme, copy of which has been produced to the SGM marked “B” and signed by the chairman of the Meeting for the purpose of identification, be amended as follows:
  - (a) Paragraph 1.1
    - (i) The following new definition be added: “Date of Grant means the date on which the Board resolves to make an Offer of that Option to the Eligible Participant, which date must be a Business Day” and all references to the “date of grant” in the Share Option Scheme be replaced and substituted by “Date of Grant”;

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## NOTICE OF SGM

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- (ii) The following new definition be added: “Inside Information has the same meaning as defined in Part XIVA of the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong as amended from time to time;
  - (iii) The following new definition be added: “Macau means the Macau Special Administrative Region of the PRC”;
  - (iv) The following new definition be added: “PRC means the People’s Republic of China, which for the purpose of this Scheme, shall exclude Hong Kong, Macau and Taiwan”;
  - (v) The following new definition be added: “Working Date means a day (other than a Saturday) on which licensed banks are open for business in Hong Kong, Macau and PRC throughout their normal business hours”;
  - (vi) The definition of “Hong Kong” be amended to mean “the Hong Kong Special Administrative Region of the PRC”;
  - (vii) The use of the term “Subscription Price” be replaced and substituted by by the term “Exercise Price” throughout the Share Option Scheme;
  - (viii) The use of the term “Option Period” be replaced and substituted by the term “Validity Period” throughout the Share Option Scheme;
- (b) Paragraph 1.3

A new paragraph 1.3 be added:

“Where any reference to a date in this Scheme shall fall on a non-Working Day, it shall be deemed to fall on the Working Day immediately following such date.”;

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## NOTICE OF SGM

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(c) Paragraph 3.1

Paragraph 3.1 be deleted in its entirety and replaced and substituted by the following:

“The purpose of this Scheme is to enable the Company to grant Options to selected Eligible Participants as incentives or rewards for their contribution or potential contribution to the Group or any Invested Entity. The Scheme shall be subject to the administration of a committee of the Directors whose decision on all matters arising in relation to this Scheme or its interpretation or effect including but not limited to whether any vesting condition(s) imposed on the Grantee has/have been fulfilled or not) shall (save as otherwise provided herein and in the absence of any manifest error) be final and binding on all persons who may be affected thereby.”;

(d) Paragraph 4.1

Paragraph 4.1 be deleted in its entirety and replaced and substituted by the following:

“The Board shall, subject to and in accordance with the provisions of this Scheme and the Listing Rules, be entitled (but shall not be bound) at any time and from time to time on any Business Day within a period of ten years commencing on the Adoption Date to make an Offer to such Eligible Participant as it may in its absolute discretion select, and subject to such vesting condition(s) and/or tranche(s) as the Board may think fit, to subscribe for such number of Shares (being a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof) as the Board may, subject to paragraph 10, determine at the Exercise Price provided that no Option shall be granted by the Board:

- (1) after Inside Information has come to the Company’s knowledge until such Inside Information has been announced by the Company;

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## NOTICE OF SGM

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(2) during the period commencing from one (1) month immediately preceding the earlier of:

(a) the date of the meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approving the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(b) the deadline for the Company to publish its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcements.”;

(e) Paragraph 4.5

Paragraph 4.5 be deleted in its entirety and replaced and substituted by the following:

“Upon an Offer being accepted by an Eligible Participant in whole or in part in accordance with sub-paragraphs 4.3 or 4.4, an Option in respect of the number of Shares in respect of which the Offer was so accepted will be deemed to have been granted by the Company to such Eligible Participant on the Date of Grant. To the extent that the Offer is not accepted within thirty (30) days from the Offer Date (or such shorter period referred to in sub-paragraph 4.2) in the manner indicated in sub-paragraphs 4.3 or 4.4 it will be deemed to have been irrevocably declined.”;

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## NOTICE OF SGM

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(f) Paragraph 6.3(b)

Paragraph 6.3(b) be deleted in its entirety and replaced and substituted by the following:

“in the event of the Grantee who is an employee or a director of the Group or any Invested Entity ceasing to be an Eligible Participant by reason of ill-health, voluntary resignation, retirement or expiration of his term of directorship in accordance with his contract of employment before exercising the Option in full, he may exercise the Option (to the extent not already exercised) in whole or in part in accordance with the provisions of sub-paragraph 6.2 within a period of six months following the date of such cessation or, if any of the events referred to in sub-paragraph 6.3(g), 6.3(h) or 6.3(i) occurs during such period, exercise the Option pursuant to sub-paragraphs 6.3(g), 6.3(h) or 6.3(i) respectively. The date of cessation as aforesaid shall be the last day on which the Grantee is actually at work with the Company or the relevant Subsidiary or the relevant Invested Entity whether salary is paid in lieu of notice or not;”;

(g) Paragraph 6.3(g)

Paragraph 6.3(g) be deleted in its entirety and replaced and substituted by the following:

“if a general or partial offer, whether by way of take-over offer, share repurchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert (as defined in the Takeovers Code) with the offeror and such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to shareholders in the Company prior to the expiry date of the relevant Option, the Company shall forthwith give notice thereof to the Grantee and the Grantee shall, notwithstanding any other terms on which his Options were granted, be entitled to exercise the Option (to the extent not already exercised) to its full extent or to the extent as may be notified by the Company in writing to the Grantee setting out, at the Company’s absolute discretion, the time within which the Option can be exercised;”;

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## NOTICE OF SGM

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(h) Paragraph 7.1(c)

Paragraph 7.1(c) be deleted in its entirety and replaced and substituted by the following:

“the date on which the Grantee, being an employee or a director of a member of the Group or the relevant Invested Entity, ceases to be an Eligible Participant by reason of dismissal or by termination of his employment or directorship on any one or more of the grounds that he has been guilty of persistent or serious misconduct, or has become bankrupt or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the Grantee or the Company and any member of the Group or the relevant Invested Entity into disrepute) or any other ground(s) on which the relevant member of the Group or the relevant Invested Entity would be entitled to terminate the Grantee’s employment or directorship pursuant to any applicable law;”;

(i) Paragraph 15.4

Paragraph 15.4 be deleted in its entirety and replaced and substituted by the following:

“A Grantee shall be entitled, upon request, to receive copies of all notices and other documents sent by the Company to the Shareholders at the same time or within a reasonable time of any such notices or documents being sent to the Shareholders.”;

(j) Paragraph 15.5

Paragraph 15.5 be deleted in its entirety and replaced and substituted by the following:

“Any notice or other communication between the Company and a Grantee may be given by sending the same by prepaid post, by electronic means or by personal delivery to, in the case of the Company, its principal place of business in Hong Kong and, in the case of the Grantee, his address in Hong Kong or his email address as notified to the Company from time to time or, if none or incorrect or out of date, his last place of employment with the Company or the Company’s principal place of business in Hong Kong from time to time.”; and

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## NOTICE OF SGM

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(k) Paragraph 15.7(c)

Paragraph 15.7(c) be deleted in its entirety and replaced and substituted by the following:

“upon completion of transmission if sent by facsimile, email or other form of electric transmissions; and”;

and the above amendments to the Share Option Scheme (the “**Amendments**”) be and are hereby approved and adopted and any one of the Directors be and is hereby authorized to do all such acts and execute such documents as may be necessary, desirable or expedient in order to give full effect to the Amendments to the Share Option Scheme.”

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

Hong Kong, 24 July 2014

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

*Head office and principal place of  
business in Hong Kong:*  
Units 3503B-5, 35<sup>th</sup> Floor  
148 Electric Road  
North Point  
Hong Kong

*Notes:*

1. A member of the Company entitled to attend and vote at the SGM is entitled to appoint another person as his proxy to attend and to vote on his behalf. A proxy need not be a member of the Company. A member may appoint any number of proxies to attend in his stead.
2. Where there are joint registered holders of any share, any one of such persons may vote at the SGM, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the SGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.

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## NOTICE OF SGM

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3. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon must be deposited with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof.
4. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish, and in such event, the instrument appointing the proxy shall be deemed to be revoked.
5. Save for any resolution(s) approving the procedural and administrative matters, any voting of the SGM should be taken by poll.