C Y FOUNDATION GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1182)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

The board of directors (the "Board") of C Y Foundation Group Limited (the "Company") announces that the unaudited consolidated interim results (the "Announcement") of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2015 (the "Period") together with the comparative figures for the corresponding period are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

		Six months ended 30 September	
		2015	2014
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**79,681**	93,854
Cost of sales		**(60,336)**	(67,381)
Gross profit		**19,345**	26,473
Other income	*5*	**6,146**	4,807
Selling and distribution costs		**(2,972)**	(2,528)
Operating, administrative and other expenses		**(77,778)**	(45,604)
Loss from operations		**(55,259)**	(16,852)
Exchange gain/(loss)		**561**	(587)
Impairment of property, plant and equipment	*11*	**(4,247)**	–
Impairment of goodwill	*11*	**(48,231)**	–
Impairment of intangible assets	*11*	**(34,753)**	–
Settlement sum in respect of a legal proceeding		**400**	8,890
Finance costs	*6*	**(3,658)**	(3,706)
Loss before tax		**(145,187)**	(12,255)
Income tax	*7*	**4,914**	332
Loss for the period attributable to owners of the Company	*8*	**(140,273)**	(11,923)

	Notes	Six months ended 30 September **2015** ***HK$'000*** **(Unaudited)**	2014 *HK$'000* (Unaudited)
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**14**	88
Other comprehensive income for the period, net of tax		**14**	88
Total comprehensive loss for the period attributable to owners of the Company		**(140,259)**	(11,835)
Loss per share *(HK cents per share)*			
Basic and diluted	*9*	**(10.89)**	(1.08)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2015

	Notes	30 September 2015 HK$'000 (Unaudited)	31 March 2015 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	*11*	**45,813**	57,817
Intangible assets	*11*	**441**	41,496
Goodwill	*11*	**–**	48,231
		46,254	147,544
Current assets			
Inventories		**4,328**	4,669
Trade and other receivables	*12*	**52,137**	16,960
Bank and cash balances		**149,638**	73,650
		206,103	95,279
Current liabilities			
Trade and other payables	*13*	**20,778**	10,453
Due to related companies	*14*	**–**	18,717
Convertible notes	*15*	**28,895**	1,865
		49,673	31,035
Net current assets		**156,430**	64,244
Total assets less current liabilities		**202,684**	211,788
Non-current liabilities			
Convertible notes	*15*	**–**	50,456
Deferred tax liabilities		**53**	4,980
		53	55,436
NET ASSETS		**202,631**	156,352
Capital and reserves			
Share capital	*16*	**15,292**	11,051
Reserves		**187,339**	145,301
TOTAL EQUITY		**202,631**	156,352

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

1. GENERAL INFORMATION

C Y Foundation Group Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability under the Bermuda Companies Act. The addresses of the registered office and principal place of business of the Company are Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and 3503B-5, 35/F., 148 Electric Road, North Point, Hong Kong, respectively. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activities of the Group are provision of services on management of electronic gaming equipment in Macau and manufacturing of packaging products for luxury goods in the People's Republic of China (the "PRC").

2. BASIS OF PREPARATION

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

The Interim Financial Statements do not include all the information and disclosures required in a full set of financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 March 2015 ("2015 Annual Report").

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

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those followed in the preparation of 2015 Annual Report of the Group.

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

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2015. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes in the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years.

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

4. SEGMENT INFORMATION

For management purpose, the Group's operating segments and their principal activities for the six months ended 30 September 2015 are as follows:

Electronic gaming business	–	Provision of services on management of electronic gaming equipment in Macau.
Packaging products business	–	Manufacture of packaging products for luxury goods in the PRC.

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

Information regarding the above segments is reported below.

(a) Segment revenue, results and assets

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

	Electronic gaming business	**Packaging products business**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Six months ended 30 September 2015:			
Revenue from external customers	57,049	22,632	79,681
Segment results	(96,504)	(10,813)	(107,317)
At 30 September 2015:			
Segment assets	54,434	13,232	67,666
Six months ended 30 September 2014:			
Revenue from external customers	64,080	29,774	93,854
Segment results	(4,747)	3,944	(803)
At 30 September 2014:			
Segment assets	172,358	18,206	190,564

There are no intersegment revenue between the reportable segments for both six months ended 30 September 2014 and 2015.

(b) Reconciliation of reportable segment profit or loss

	Six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Reconciliation of reportable segment profit or loss for the period:		
Total loss of reportable segments	**(107,317)**	(803)
Equity-settled share-based payment	**(24,623)**	(4,699)
Other unallocated and corporate profit or loss	**(8,333)**	(6,421)
Consolidated loss for the period	**(140,273)**	(11,923)

5. OTHER INCOME

	Six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest income	**26**	5
Management fee income	**3,217**	2,353
Recovery of receivables previously impaired	**–**	1,145
Rental income	**303**	326
Gain on disposal of property, plant and equipment	**189**	383
Subcontracting income	**–**	96
Sundry income	**315**	499
Compensation received	**2,096**	–
	6,146	4,807

6. FINANCE COSTS

	Six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Imputed interests on convertible notes *(Note 15)*	**3,658**	3,706

7. INCOME TAX

	Six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax – PRC Enterprise Income Tax	**13**	9
Deferred tax	**(4,927)**	(341)
	(4,914)	(332)

No provision for Hong Kong profits tax is required since the Group has no assessable profit for the six months ended 30 September 2015 and had sufficient tax losses brought forward to set off against assessable profit for the six months ended 30 September 2014. Tax arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. Macau Complementary Tax is calculated at a progressive rate from 9% to 12% on the estimated assessable profit for both periods. No provision for Macau Complementary Tax is required as the Company's subsidiary in Macau incurred tax losses for both periods. Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of subsidiaries of the Company in the PRC is 25% for both periods.

8. LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	Six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
After charging:		
Cost of inventories sold	**17,191**	19,715
Depreciation of property, plant and equipment and amortisation of intangible assets	**14,552**	10,979
Impairment of property, plant and equipment	**4,247**	–
Impairment of goodwill	**48,231**	–
Impairment of intangible assets	**34,753**	–
Other receivables written off	**159**	–
Operating lease rentals in respect of land and buildings	**3,144**	3,003
Directors' remuneration	**17,652**	6,370
Staff costs (including Directors' remuneration):		
Salaries, allowances and other benefits in kind	**26,606**	17,998
Equity-settled share-based payment	**24,623**	4,699
Pension scheme contributions	**1,230**	775
Total staff costs	**52,459**	23,472
And after crediting:		
Gain on disposal of property, plant and equipment	**(189)**	(383)
Interest income	**(26)**	(5)
Recovery of receivables previously impaired	**–**	(1,145)

9. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the period attributable to owners of the Company of approximately HK$140,273,000 (Six months ended 30 September 2014: approximately HK$11,923,000) and the weighted average number of 1,288,625,892 (Six months ended 30 September 2014: 1,099,152,904) ordinary shares in issue during the period.

Diluted loss per share

The diluted loss per share is the same as the basic loss per share for both periods as the exercise of the Company's outstanding convertible notes and share options would be anti-dilutive.

10. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2015 (Six months ended 30 September 2014: HK$Nil).

11. PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND GOODWILL

	Property, plant and equipment	**Intangible assets**	**Goodwill**
	HK$'000	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Carrying amounts at 1 April 2015 (Audited)	57,817	41,496	48,231
Exchange realignment	383	–	–
Additions	545	–	–
Depreciation/amortisation charged for the period	(8,250)	(6,302)	–
Impairment	(4,247)	(34,753)	(48,231)
Disposals	(435)	–	–
Carrying amounts at 30 September 2015	45,813	441	–

12. TRADE AND OTHER RECEIVABLES

	30 September 2015	31 March 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**6,959**	4,507
Other receivables	**10,941**	8,605
Deposits and prepayments	**34,237**	3,848
	52,137	16,960

(a) The Group grants a credit period normally ranging from 0 to 45 days (for the year ended 31 March 2015: from 0 to 90 days) to its trade customers. For those customers who have established good relationships with the Group, the credit period may be extended to 120 days.

(b) At the end of the reporting period, the aging analysis of the trade receivables, based on invoice date, is as follows:

	30 September 2015	31 March 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 60 days	**6,676**	3,586
61 – 90 days	**–**	8
91 – 180 days	**228**	18
181 – 365 days	**55**	895
	6,959	4,507

13. TRADE AND OTHER PAYABLES

	30 September 2015	31 March 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables	**2,502**	2,346
Accrued expenses and other payables	**18,276**	8,107
	20,778	10,453

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

	30 September 2015	31 March 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 60 days	**1,753**	1,775
61 – 90 days	**418**	288
91 – 180 days	**191**	3
181 – 365 days	**7**	3
Over 365 days	**133**	277
	2,502	2,346

14. DUE TO RELATED COMPANIES

As at 31 March 2015, the balances with related companies were unsecured, interest-free and had no fixed repayment terms. The related companies were ultimately controlled by Dato POH Po Lian (the "Former Single Largest Shareholder") as at 31 March 2015.

15. CONVERTIBLE NOTES

The convertible notes with the nominal value of HK$69 million (the "Notes") were issued to Weike (G) Management Pte Ltd ("Weike Pte"), a company wholly owned by the Former Single Largest Shareholder, as the full consideration for acquisition of 100% interest in CY Management Limited (formerly known as Weike (G) Management Macau Limited) on 16 September 2013.

Convertible notes with nominal value of HK$7,000,000 were converted into 46,666,666 ordinary shares with conversion price of HK$0.15 per Note during the year ended 31 March 2015. Convertible notes with nominal value of HK$29,700,000 were converted into 198,000,000 ordinary shares with conversion price of HK$0.15 per Note during the six months ended 30 September 2015.

During the six months ended 30 September 2015, Weike Pte disposed the Notes with nominal value of HK$17,000,000 to the directors of Weike Pte and HK$45,000,000 to Ideal Investment Limited, a company wholly and beneficially owned by the current single largest shareholder of the Company.

The Notes are convertible to ordinary shares of the Company at any time between the date of issue of the Notes and 16 September 2016 (the “Maturity Date”). At the end of the reporting period, the remaining Notes with nominal value of HK$32,300,000 will be convertible to 215,333,333 ordinary shares of HK$0.01 each at a conversion price of HK$0.15 per Note. The nominal value of HK$15,300,000 of the remaining Notes were beneficially held by the single largest shareholder of the Company as at 30 September 2015. If the remaining Notes have not been converted, they will be redeemed at par on the Maturity Date. Interest of 3 per cent per annum will be paid semi-annually up until the Maturity Date.

The movements of the liability component of the Group’s convertible notes during the six months ended 30 September 2015 are as follows:

	HK$'000 (Unaudited)
Liability component at 31 March 2015 (Audited)	52,321
Interest charged for the period	3,658
Interest transferred to accrued charges	(844)
Issue of shares upon conversion of convertible notes	(26,240)
Liability component at 30 September 2015	28,895

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

16. SHARE CAPITAL

	Notes	No. of shares *'000* (Unaudited)	Amount *HK$'000* (Unaudited)
Authorised:			
Ordinary shares of HK$0.01			
(31 March 2015: HK$0.01) each			
At 31 March 2015 and 30 September 2015		30,000,000	300,000
Issued and fully paid:			
Ordinary shares of HK$0.01			
(31 March 2015: HK$0.01) each			
At 1 April 2015		1,105,123	11,051
Issue of shares upon conversion of convertible notes	*(a)*	198,000	1,980
Exercise of share options granted	*(b)*	5,380	54
Issue of shares upon placement	*(c)*	220,700	2,207
At 30 September 2015		1,529,203	15,292

Notes:

(a) During the period, convertible notes with nominal value of HK$29,700,000 were converted into 198,000,000 ordinary shares of HK$0.01 each per HK$0.15 Note, resulting in approximately HK$1,980,000 and HK$48,177,000 were recorded in share capital and share premium respectively.

(b) During the period, the subscription rights attaching to 1,200,000, 3,130,000 and 1,050,000 share options were exercised at the subscription price of HK$0.47, HK$0.415 and HK$0.92 per share respectively, resulting in the issue of 5,380,000 additional ordinary shares of HK$0.01 each for a total cash consideration, before expenses, of approximately HK$2,829,000, resulting in approximately HK$54,000 and HK$4,236,000 of which were recorded in share capital and share premium respectively.

(c) On 25 May 2015, the Company and Haitong International Securities Company Limited entered into a placing agreement in respect of the placement of 220,700,000 ordinary shares of HK$0.01 each to certain independent investors at a price of HK$0.605 per share. The placement was completed on 3 June 2015 and the premium on the issue of shares amounting to approximately HK$130,639,000 (net of share issue expense of approximately HK$678,000) was credited to the Company's share premium account.

17. RELATED PARTY TRANSACTIONS

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

	Notes	Six months ended 30 September **2015** **HK$'000** **(Unaudited)**	2014 HK$'000 (Unaudited)
Management fee received from Weike Pte	*(i)*	**1,220**	2,353
Technical support service fee and maintenance fee paid to Weike Gaming Technology (S) Pte Limited ("Weike Gaming")	*(i) and (ii)*	**165**	261
Services income received from Weike Gaming	*(ii)*	**55**	–
Spare parts purchased from Weike Gaming	*(ii)*	**–**	90

Notes:

(i) The management fee and technical support service fee were charged at predetermined amounts agreed between the parties involved.

(ii) The terms of the purchases and services are negotiated at normal commercial terms.

(iii) Weike Pte and Weike Gaming are companies ultimately controlled by the Former Single Largest Shareholder.

18. LITIGATION

(a) The Company against Mr. Cheng Chee Tock Theodore (deceased) ("Mr. Cheng"), Ms. Leonora Yung ("Ms. Yung") and others

In connection with the payment in the sum of HK$9,306,500 (the "Payment") made to Ms. Yung, the spouse of Mr. Cheng (being a former Director) and a former employee of the Company, purportedly for legal fees and expenses incurred by Mr. Cheng and Ms. Yung in relation to (i) the ICAC Investigation, details of which were disclosed in the announcements of the Company dated 13 September 2010, 7 October 2010, 7 March 2011 and 6 October 2011; and (ii) the legal proceedings in respect of the petition under section 168A of the old Hong Kong Companies Ordinance (alternative remedy to winding up in cases of unfair prejudice) details of which were disclosed in the announcements of the Company dated 21 April 2010, 24 January 2011, 27 January 2011, 27 April 2012 and 11 May 2012; in relation to the Payment, on 14 April 2011, the Company, as plaintiff, has issued an originating summons in the Court of First Instance at the High Court of Hong Kong (the "High Court") against Mr. Cheng, Ms. Yung, Mr. Ng Pui Lung (being a former Director), Mr. Wang Shanchuan (being a former Director) and Mr. Ho Chi Chung ("Mr. Joseph Ho", being a former Director and the former acting chief executive officer of the Group).

Pursuant to the Court Order dated 18 March 2013, the proceedings are stayed until the determination of Mr. Cheng's appeal against his conviction in District Court DCCC No. 476 of 2011 to the Court of Appeal.

By a notice of motion filed on 10 April 2014, Mr. Cheng sought leave to make an application out of time for a certificate under section 32(2) of the Hong Kong Court of Final Appeal Ordinance. On 12 June 2014, the Court of Appeal refused Mr. Cheng's application. Upon a further application by Mr. Cheng to the Appeal Committee of the Court of Final Appeal, leave to appeal was granted on 4 August 2014.

By the Court Order dated 25 June 2015, it was ordered that Ms. Yung be made a party to the final appeal in her capacity as personal representative of the estate of Mr. Cheng in substitution for the Appellant and the appeal in DCCC No. 476 of 2011 be continued in the name of Ms. Yung in such capacity. Hearing of the Final Appeal in DCCC No. 476 of 2011 has been fixed to be held on 25 February 2016.

(b) The Company and Highsharp Investments Limited ("Highsharp"), as the Plaintiffs

On 5 May 2011, the Company and Highsharp, a former wholly-owned subsidiary of the Company, as plaintiffs, issued a writ of summons in the High Court against, among others, Mr. Cheng, Ms. Yung, the personal representatives of Mr. Kok Teng Nam (deceased), Mr. Philip Yu and Agustus Investments Limited.

Pursuant to the Court Order dated 18 March 2013, the proceedings are stayed until the determination of Mr. Cheng's appeal against his conviction in District Court DCCC No. 476 of 2011 to the Court of Appeal. On 14 March 2014, the Court of Appeal handed down a judgment dismissing applications by Mr. Cheng and Mr. Philip Yu for leave to appeal against their conviction.

By a notice of motion filed on 10 April 2014, Mr. Cheng sought leave to make an application out of time for a certificate under section 32(2) of the Hong Kong Court of Final Appeal Ordinance. On 12 June 2014, the Court of Appeal refused Mr. Cheng's application. Upon a further application by Mr. Cheng to the Appeal Committee of the Court of Final Appeal, leave to appeal was granted on 4 August 2014.

By the Court Order dated 25 June 2015, it was ordered that Ms. Yung be made a party to the final appeal in her capacity as personal representative of the estate of Mr. Cheng in substitution for the Appellant and the appeal in DCCC No. 476 of 2011 be continued in the name of Ms. Yung in such capacity. Hearing of the Final Appeal in DCCC No. 476 of 2011 has been fixed to be held on 25 February 2016.

(c) The Company and Ace Precise International Limited ("Ace Precise"), as the Plaintiffs

On 6 May 2011, the Company and Ace Precise, a wholly-owned subsidiary of the Company, as the Plaintiffs, issued a Writ of Summons in the High Court against Best Max Holdings Limited ("Best Max"), Mr. Lo Chun Cheong (being the sole director and registered shareholder of Best Max at the material times) ("Mr. Lo"), Mr. Cheng, Mr. Joseph Ho and Mr. Yeung Tak Hung Arthur ("Mr. Arthur Yeung", being the former chief operating officer of the Group (collectively referred to as the "Defendants")).

The hearing of Mr. Lo's striking out summons was heard on 7 February 2012. The judgment in respect of Mr. Lo's application to strike out his statement of claim was handed down on 3 June 2013, whereby it is ordered that the striking out application be dismissed (save that the claim against Mr. Lo for restitution of the sum of HK$12 million paid by the Company and/or Ace Precise pursuant to the convertible bond was struck out), and the remaining claims against Mr. Lo, including payment of the sum of HK$12,000,000.00 under the Guarantee given by him, an Order for indemnity, equitable compensation for dishonest assistance of breach of fiduciary duties and/or knowing receipt, all necessary accounts and inquiries and payment, transfer and/or delivery up of what is found due and damages for conspiracy to injure the economic interests of the Company and Ace Precise were not struck out and are still continuing. The pleadings stage had been completed and the stage of discovery was in progress.

(d) The Company together with former subsidiaries of the Company against Mr. Cheng

On 11 June 2011, the Company, together with certain of its former wholly-owned subsidiaries, namely CYC Investments Limited, Sincere Land Holdings Limited, Hainan Treasure Way Enterprises Limited, Hainan Jiaying Internet Technology Company Limited, Suzhou C Y Foundation Entertainment and Investment Management Limited, CYC Investment Consultancy (Wuxi) Limited and Longpin Investment Consultancy (Shanghai) Company Limited, as plaintiffs (the "Plaintiffs"), issued an Originating Summons in the High Court against Mr. Cheng.

The first joint mediation session was held on 24 May 2013 and was concluded after the Plaintiffs and Mr. Cheng failed to reach any settlement. A Case Management Conference was held on 12 March 2014.

Witness statements and expert report(s) had been exchanged between the Plaintiffs and Mr. Cheng.

A case management conference hearing has been fixed to be heard on 6 April 2016.

More details of the above litigations were disclosed in the 2010/11 to 2014/15 Annual Reports as well as 2011/12 to 2014/15 Interim Reports of the Company respectively, the Company will issue further announcements to update the status of the above outstanding litigations when appropriate.

19. COMMITMENTS

(a) Commitments under operating leases

As lessor

At 30 September 2015, the Group had total future minimum sublease payments of approximately HK$240,000 (At 31 March 2015: approximately HK$543,000) expected to be received under non-cancellable operating leases within one year.

As lessee

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

	30 September 2015	31 March 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one year	**4,237**	4,210
In the second to fifth years, inclusive	**63**	1,237
	4,300	5,447

(b) Capital commitments

At 30 September 2015, the Group's capital expenditure contracted for but not provided in the Interim Financial Statements in respect of acquisition of property, plant and equipment amounted to approximately HK$3,711,000 (At 31 March 2015: approximately HK$2,314,000).

20. CONTINGENT LIABILITIES

As at 30 September 2015, the Group did not have any significant contingent liabilities (At 31 March 2015: HK$Nil).

21. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These Interim Financial Statements were approved and authorised for issue by the board of Directors on 27 November 2015.

REVIEW AND OUTLOOK

Business and financial review

Results

For the six-months ended 30 September 2015 (the "**Period**"), the electronic gaming business continued to be the Group's core business which contributed approximately 71.6% of the Group's total revenue. Both the electronic gaming business and the packaging business experienced a decrease in revenue and recorded a loss during the Period. The performance of each business segment is discussed in the following sections accordingly.

The Group's loss widened from approximately HK$11.9 million for the six months ended 30 September 2014 to approximately HK$140.3 million for the Period. Apart from the aforesaid reason of a dip in revenue, the major reasons are the additional recognition of share-based payments of approximately HK$24.6 million, impairment of intangible assets of approximately HK$34.8 million and the impairment of goodwill of approximately HK$48.2 million during the Period.

Electronic gaming business

Under the influence of the challenging environment in gaming industry, in general, the revenue generated from the electronic gaming business decreased slightly of around 11.1% for the Period from approximately HK$64.1 million for the six months ended 30 September 2014 to approximately HK$57 million for the Period. The Group continues to place effort on expanding its electronic gaming business operation amid overall decline in the Macau gaming revenues. The Group expects that the effects of the anti-corruption campaign and the economic downturn in the People's Republic of China (the "**PRC**") will continue to impact the performance of the electronic gaming business in Macau in the remaining of the financial year ending 31 March 2016. Nevertheless, the Group is exploring new business opportunities in other Asian countries to diversify the risk which are expected to bring revenue to the Group.

The loss in electronic gaming business was approximately HK$96.5 million (2014: approximately HK$4.7 million) during the Period, which included an impairment of intangible assets of approximately HK$34.8 million and an impairment of goodwill of approximately HK$48.2 million recognized in the Period due to the decline in the Macau gaming market. Such impairment is merely a non-cash accounting treatment and will not have any impact on the cash flow of the Group.

Packaging products business

Due to the challenges posed by e-retailing which bypassed the use of quality packaging, the performance of the packaging products business has been affected. It was also continuously affected by the high fixed costs and shortage of skilled workers in factories located in both Shenzhen and Huizhou. Customers tend to look for alternative production sources in other manufacturing-emerging cities in both China and South East Asia for lower costs. The revenue generated from the packaging products business decreased by around 24.2% from approximately HK$29.8 million for the six months ended 30 September 2014 to approximately HK$22.6 million for the Period.

The Group anticipated that the said challenges will continue to exist and there can be a breakthrough if the Group can cut the high fixed costs in the factories. The Group is exploring opportunities in changing the packaging products business from manufacturing and trading to merely trading. More resources can then be retained to develop potential new markets and products.

Liquidity, financial resources and foreign currency exposure

As at 30 September 2015, the bank and cash balances of the Group amounted to approximately HK$149.6 million. The Group had a liability component of the unsecured convertible notes of approximately HK$28.9 million. The convertible notes will be matured in September 2016.

The gearing ratio of loans against the total equity as at 30 September 2015 was 14.3%. As the majority of bank deposits and cash on hand were denominated in Hong Kong dollar, followed by Renminbi, Macau Pataca and US dollar, the Group’s exchange risk exposure depended on the movement of the exchange rates of the aforesaid currencies.

Treasury policy

The Group maintains a conservative approach on foreign exchange exposure management and ensures that its exposure to fluctuations in foreign exchange rates is minimized.

During the Period, apart from the convertible notes, the Group did not have any fixed interest rate borrowings and had not engaged in any financial instruments for hedging or speculative activities.

Material acquisitions, disposals and significant investment

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

Pledge of assets

As at 30 September 2015, no asset was pledged by the Group.

Capital commitments

As at 30 September 2015, the Group's capital expenditure contracted for but not provided in the interim financial statements in respect of acquisition of property, plant and equipment amounted to approximately HK$3.7 million.

Contingent liabilities

The Group's contingent liabilities are disclosed in Note 20 to the interim financial statements.

EMPLOYEES AND REMUNERATION POLICY

The Group employed 378 permanent employees as at 30 September 2015, including 19 employees in Hong Kong, 335 employees in the PRC and 24 employees in Macau. The Group continued to review the remuneration packages of its employees with reference to the level and composition of wages, general market condition and individual performance. Staff benefits include contribution to Mandatory Provident Fund Scheme, discretionary bonus, share option scheme, medical allowance and hospitalization scheme and housing allowance which are generally consistent with market practices.

LITIGATION

The Group has a reduced number of outstanding litigations and in the opinion of the legal counsels of the Company, at the time being, it is premature to predict the outcomes of such outstanding litigations. However, the Board is of the view that the outcome of these litigations are not likely to have any material financial impact on the Group other than the legal cost of these cases. Details of litigation are disclosed in note 18 to the interim financial statements.

SHARE OPTION SCHEME

On 15 July 2015, the refreshment of scheme mandate limit under the share option scheme of the Company adopted on 28 September 2012 and amended on 8 August 2014 (the "**Share Option Scheme**") was approved by the shareholders of the Company (the "**Shareholders**") at a special general meeting by way of an ordinary resolution. The Company is thus entitled to issue a maximum of 132,582,321 ordinary shares of HK$0.01 each in the capital of the Company (the "**Shares**") upon exercise of the share options to be granted under the refreshed scheme mandate limit, representing 10% of the issued shares of the Company as at the date of the special general meeting.

During the Period, the Company has granted an aggregate of 56,270,000 share options (the "**Options**") to certain eligible participants of the Group (the "**Grantees**") to subscribe for an aggregate of 56,270,000 Shares under the Share Option Scheme. Save as the 28,520,000 Options granted to the Directors, the remaining Grantees were full-time employees or consultants of the Group.

5,380,000 share options were exercised and 29,950,000 share options were lapsed during the Period.

Please refer to the announcements of the Company dated 22 July 2015, 31 August 2015 and 21 September 2015 for the share options granted by the Company during the Period.

CONVERTIBLE NOTES

During the Period, convertible notes with aggregate nominal value of HK29,700,000 were converted into 198,000,000 Shares with conversion price of HK$0.15 per note. (Please refer to note 15 to the interim financial statements for details).

INTERIM DIVIDEND

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

CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") throughout the Period, except for the following deviation:

Code Provision A.4.1

Code Provision A.4.1 of the CG Code provides that non-executive Directors should be appointed for a specific term, subject to re-election.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules for securities transactions by the Directors. Upon enquiry by the Company, all Directors have confirmed that, for the Period they have complied with the required standard set out in the Model Code regarding securities transactions by the Directors.

PROPOSED CHANGE OF COMPANY NAME

The Board proposed to change the English name of the Company from "C Y Foundation Group Limited" to "Success Dragon International Holdings Limited" and to adopt the Chinese name of "勝龍國際控股有限公司" as the secondary name of the Company to replace the existing name in Chinese of "中青基業集團有限公司" which was adopted for identification purpose only (the "**Change of Company Name**").

The Change of Company Name was approved by i) the Shareholders at a special general meeting by way of a special resolution on 30 October 2015 and ii) the Registrar of Companies in Bermuda on 30 October 2015. At present, the Company is carrying out other necessary filing procedures to effect the Change of Company Name and will make further announcement to inform the Shareholders of the effective date of the Change of Company Name in accordance with the Listing Rules.

REMUNERATION COMMITTEE

The Remuneration Committee is composed of three independent non-executive Directors and one executive director and is chaired by Mr. ER Kwok Wah. The Remuneration Committee is mainly responsible for reviewing and determining the remuneration, compensation and benefits of Directors and senior management. The terms of reference of the Remuneration Committee are available and accessible on the Company's website at http://www.cyfoundation.com and the website of the Stock Exchange at http://www.hkexnews.hk.

NOMINATION COMMITTEE

The Nomination Committee is composed of three independent non-executive Directors and one executive director and is chaired by Mr. Carlos Luis SALAS PORRAS. The Nomination Committee is mainly responsible for making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors. The terms of reference of the Nomination Committee are available and accessible on the Company's website at http://www.cyfoundation.com and the website of the Stock Exchange at http://www.hkexnews.hk.

AUDIT COMMITTEE

The Audit Committee is composed of three independent non-executive Directors and chaired by Mr. LEUNG Po Hon. The Audit Committee is mainly responsible for considering the appointment of external auditor, review the interim and annual financial statements before submission to the Board and the Group's internal control systems. The terms of reference of the Audit Committee are available and accessible on the Company's website at http://www.cyfoundation.com and the website of the Stock Exchange at http://www.hkexnews.hk.

REVIEW OF INTERIM RESULTS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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

By Order of the Board
C Y Foundation Group Limited
Carlos Luis Salas Porras
Chairman and Chief Executive Officer

Hong Kong, 27 November 2015

As at the date of this announcement, the executive Directors are Mr. Carlos Luis SALAS PORRAS and Mr. GOH Hoon Leum; the independent non-executive Directors are Mr. YONG Peng Tak, Mr. ER Kwong Wah and Mr. LEUNG Po Hon.