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C Y FOUNDATION GROUP LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 1182)

ANNOUNCEMENT

The board of directors of C Y Foundation Group Limited (the “Company”) noticed the reports appearing on certain press articles dated 19 August 2011 that Ms. Leonora Yung (“Ms. Yung”), a former director of Kingbox (Asia) Limited (“Kingbox”) (a wholly-owned subsidiary of the Company), has taken away two years’ salary after her resignation without proper authorization. The Company would like to clarify as follows :

- (1) Ms. Yung has tendered her resignation on 8 April 2011 with a six month notice and subsequently furnished an early termination notice on 22 May 2011.
- (2) The directors newly appointed on 6 April 2011 (the “New Directors”) have noted that supplemental agreement dated 4 January 2010 (the “Supplemental Agreement”) was entered into between Ms. Yung and Kingbox which provides that Kingbox would pay to Ms. Yung upon her termination of employment a remunerative payment which equaled her annual salary income multiplied by two years (the total amount should not exceed 28 months’ salary). The amount payable pursuant to the Supplemental Agreement is approximately HK\$2,520,000.
- (3) On 17 August 2011, Kingbox commenced a legal proceeding in the High Court against Ms. Yung in respect of the Supplemental Agreement. The relief sought in the High Court Action is as follows :
 - a) A declaration that the Supplemental Agreement was null and void and/or did not constitute a valid, binding and/or enforceable contract between the Plaintiff (being Kingbox) and the Defendant (being Ms. Yung).

- b) Further or in the alternative, an Order that the Supplemental Agreement be annulled and/or set aside.
 - c) Costs.
 - d) Further and/or other relief.
- (4) The New Directors also noted that the entering into of the Supplemental Agreement was in breach of Rule 13.68 of the Rules Governing the Listing of Securities on the Stock Exchange in view that no announcement had been made by the Company and no prior shareholders' approval had been obtained in this respect.
- (5) The New Directors believe that the proceeding would not pose a material impact on the Company.

The Company will keep its shareholders and potential investors informed of any further material development in connection with the above by way of further announcement(s) as and when appropriate.

By order of the Board
C Y Foundation Group Limited
Sik Siu Kwan
Company Secretary

Hong Kong, 26 August 2011

As at the date of this announcement, the executive Directors are Mr. SNEAH Kar Loon, Dato LIM Kim Wah (also known as "Dato LIM Sze Guan") and Mr. CHENG Chee Tock Theodore (duty suspended); the non-executive Directors are Mr. WOELM Samuel, Mr. IO Rudy Cheok Kei and Mr. NG Kwok Lun; the independent non-executive Directors are Mr. LAI Hock Meng, Mr. LAW Chiu William, Dato CARL Gunnar Myhre, Mr. BALAKRISHNAN Narayanan and Mr. YONG Peng Tak.