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C Y FOUNDATION GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1182)

UPDATE ON CORPORATE DEVELOPMENT IN RESPECT OF THE PRC SUBSIDIARIES

The board (the “**Board**”) of directors (the “**Directors**”) of C Y Foundation Group Limited (the “**Company**”) would like to update the shareholders and the investors of the Company on the corporate development in respect of its subsidiaries in the People’s Republic of China (the “**PRC**”).

BACKGROUND

The Company, through its wholly-owned subsidiaries, is the sole beneficial owner of five wholly foreign owned enterprises in the PRC (collectively, the “**WOFES**”), namely:

- (i) Hainan Treasure Way Enterprises Limited (海南寶瀛實業有限公司)(“**Treasure Way**”);
- (ii) 海南佳瀛網絡科技有限公司(Hainan Jiaying Internet Technology Company Limited, being its unofficial English translation)(“**Jiaying**”);
- (iii) Suzhou C Y Foundation Entertainment and Investment Management Limited (蘇州中青基業娛樂投資管理有限公司)(“**Suzhou C Y Foundation**”);
- (iv) CYC Investment Consultancy (Wuxi) Limited (中青投資諮詢(無錫)有限公司)(“**CYC Wuxi**”); and
- (v) 龍品投資諮詢(上海)有限公司 (Longpin Investment Consultancy (Shanghai) Company Limited, being its unofficial English translation)(“**Longpin**”).

Through Treasure Way and Jiaying, the Company controls 上海基豐投資管理有限公司 (Shanghai Jifeng Investment Management Company Limited, being its unofficial English translation), 上海巨豐網絡科技有限公司 (Shanghai Jufeng Internet Technology Company Limited, being its unofficial English translation), 北京豪升融通貿易有限公司(Beijing Horizon Trading Co., Ltd.), 零度聚陣文化有限公司(T-Matrix Culture Company Limited) and 中青基業文化有限公司(C Y Foundation Culture Company Limited) (collectively and together with the WOFES, the “**PRC Subsidiaries**”).

THE PRC ACTION

Since the appointment of the nine Directors on 6 April 2011 (the “**New Directors**”), the Board has been trying to establish control over the PRC Subsidiaries and the companies controlled by them.

The Board noted that the company seals, company chops and/or corporate documents (the “**Corporate Chops and Documents**”) of certain of the PRC Subsidiaries were not in the possession or custody of the relevant company. Although relevant directors’ and shareholders’ resolutions had been passed by the off-shore holding companies of the PRC Subsidiaries to change their legal representatives (法人代表), the change had not yet been effected as the Corporate Chops and Documents were missing and the former legal representatives of such companies were not co-operative. The missing of the Corporate Chops and Documents affected the daily operation of the PRC Subsidiaries. As of the date of this announcement, the Board does not have full control over the PRC Subsidiaries.

In view of the above, the Company has engaged legal advisers in the PRC to assist the Company to take appropriate action(s) to enforce control over the PRC Subsidiaries.

On 23 May 2011, Longpin, as plaintiff, initiated a legal action against Mr. Cheng Chee Tock Theodore (“**Mr. Cheng**”) (an executive Director whose duty has been suspended since 8 April 2011 (details are set out below) and the former legal representative of Longpin) to claim for, among others, an order for the delivery up of the relevant permits, seals, chops and financial books of Longpin which are in Mr. Cheng’s possession. As Mr. Cheng is also the legal representatives of all the other WOFES, the Board intends to initiate similar legal actions against Mr. Cheng for other WOFES.

The Board has resolved that with effect from 8 April 2011, Mr. Cheng’s authorities and duties as a Director and all other positions he may have in the Company and/or any of its subsidiaries and/or associated companies had been suspended, in view of regulatory investigation/prosecution by relevant authorities and possible breaches until further determined by the Board. In addition, on 19 April 2011, the Board also passed a resolution to remove all positions held by Mr. Cheng in all of the Company’s subsidiaries, including the PRC Subsidiaries.

Other legal action(s) will be taken to enforce control over other PRC Subsidiaries when necessary. The Company will keep its shareholders and potential investors informed of any further material development in connection with the above action by way of further announcement(s) as and when appropriate.

THE HK ACTION

On 11 June 2011, the Company, together with certain of its wholly-owned subsidiaries, namely CYC Investments Limited (“**CYC Investments**”), Sincere Land Holdings Limited (“**Sincere Land**”), Treasure Way, Jiaying, Suzhou C Y Foundation, CYC Wuxi and Longpin, as plaintiffs, issued an originating summons in the Court of First Instance at the High Court of Hong Kong to claim against Mr. Cheng for, among others, the following relief:

1. an order for the delivery up to the Company of the personnel files relating to Mr. Cheng and other documents and things of the Company wrongfully detained or removed by him;
2. orders for the delivery up to Treasure Way, Jiaying, Suzhou C Y Foundation, CYC Wuxi or Longpin (as appropriate) their respective seals, chops, documents, records and other things wrongfully detained or removed by Mr. Cheng;
3. an order that Mr. Cheng do sign all documents, do all things and take all steps necessary for the appointment of designated person(s) to take up the offices, titles and/or positions held by Mr. Cheng in Treasure Way, Jiaying, Suzhou C Y Foundation, CYC Wuxi and Longpin in the place and stead of Mr. Cheng, and for obtaining all necessary approvals of the governmental departments and authorities in China for the change of the said offices, titles and/or positions; and
4. damages for breach of Mr. Cheng's duties as the agent of the Company, CYC Investments and/or Sincere Land.

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

On behalf of the Board
C Y Foundation Group Limited
Sneah Kar Loon
Chairman

Hong Kong, 16 June 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"), Mr. CHENG Chee Tock Theodore (duty suspended) and Mr. WOELM Samuel, the non-executive Directors are 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 MYHRE Carl Gunnar, Mr. BALAKRISHNAN Narayanan and Mr. YONG Peng Tak.