

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



C Y FOUNDATION GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1182)

UPDATE ON CORPORATE DEVELOPMENT

Reference is made to the announcements of C Y Foundation Group Limited (the “**Company**”) dated 8 April 2011 and 11 April 2011 in relation to, inter alia, the designation of the new directors of the Company (the “**Directors**”) and the particulars of new Directors and the announcement dated 18 April 2011 regarding update on corporate development of the Group.

The board of Directors (the “**Board**”) would like to update the shareholders and the investors of the Company on certain corporate development, including the 17th Floor Property Action (as defined below), the Best Max Action (as defined below) and the remuneration packages of those Directors appointed on 6 April 2011 (the “**New Directors**”).

17TH FLOOR PROPERTY ACTION

On 5 May 2011, the Company and Highsharp Investments Limited (“**Highsharp**”), a wholly-owned subsidiary of the Company, as Plaintiffs, issued a Writ of Summons in the Court of First Instance at the High Court of Hong Kong against, among others, Mr. Cheng Chee Tock Theodore (“**Mr. Cheng**”) (an Executive Director whose duty has been suspended since 8 April 2011), Ms. Leonora Yung (“**Ms. Yung**”) (the wife of Mr. Cheng, a former employee of the Company), the personal representatives of Mr. Kok Teng Nam (also known as Kenny Nam), deceased, Mr. Philip Yu and Agustus Investments Limited (collectively referred to as the “**Defendants**”) in relation to (i) the sale of shares in Sino Joy Holdings Limited, the corporate vehicle holding the 17th Floor, Silver Base Centre, No. 200 Gloucester Road, Hong Kong (the “**17th Floor Property**”) by China Entertainment Holdings Limited to Mansion Gains Holdings Limited (“**Mansion Gains**”) in or around June 2007; and (ii) the acquisition by Highsharp of the shares in Mansion Gains, which indirectly held the 17th Floor Property, the details of which were disclosed in the announcement of the Company dated 9 October 2007.

The Company and Highsharp claim against the Defendants for, amongst other things, the following:

1. as against Mr. Cheng and Ms. Yung, equitable compensation for breach of fiduciary duties (and/or duties of fidelity and good faith, as the case may be);
2. as against the other Defendants, equitable damages for knowing receipt and/or dishonest assistance of breach of fiduciary duty;
3. as against all Defendants,
 - (a) a declaration that all proceeds, assets, income, profits and other benefits derived from the sale of the corporate vehicle holding the 17th Floor Property (the “**Sale Proceeds**”) were at all material times and are held upon constructive trust by all Defendants for the Company and Highsharp;
 - (b) a declaration that all Defendants are liable to account to the Company and Highsharp as constructive trustees for the Sale Proceeds;
 - (c) all necessary accounts and inquiries for the purpose of tracing and/or following the Sale Proceeds;
 - (d) the payment, transfer and/or delivery up of what is found due upon the taking of such accounts and the making of such inquiries; and
4. further or in the alternative to (1) to (2), relief, damages for conspiracy to defraud and/or injure the economic interests of the Company and/or Highsharp.

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.

BEST MAX ACTION

On 6 May 2011, the Company and Ace Precise International Limited (“**Ace Precise**”), a wholly-owned subsidiary of the Company, as Plaintiffs, issued a Writ of Summons in the Court of First Instance at the High Court of Hong Kong against Best Max Holdings Limited (“**Best Max**”), Mr. Lo Chun Cheong (also known as Ronald Lo) (sole director and registered shareholder of Best Max) (“**Ronald Lo**”), Mr. Cheng, Mr. Ho Chi Chung Joseph (a former Executive Director and the former Acting Chief Executive Officer of the Group) (“**Joseph Ho**”) and Mr. Yeung Tak Hung Arthur (the former Chief Operating Officer of the Group) in relation to (i) the Subscription Agreement dated 3 December 2008 (the “**Subscription Agreement**”) made between Ace Precise and Best Max for the subscription of the HK\$12,000,000 Zero Coupon Convertible Bond due 2 December 2010 (the “**Convertible Bond**”) issued by Best Max to Ace Precise; (ii) the Guarantee and Indemnity in respect of the obligations of Best Max dated 3 December 2008 (the “**Guarantee**”) executed by Ronald Lo as guarantor in favour of Ace Precise; (iii) the Deed of Release for the Guarantee dated 18 June 2010 (the “**Deed of Release**”) purportedly executed by Mr. Cheng on behalf of Ace Precise; and (iv) the Conversion Notice(s) dated 1 April 2011 (the “**Conversion Notice**”) purportedly executed by Joseph Ho on behalf of Ace Precise.

The Company and Ace Precise claim against the Defendants for, amongst other things,

the following:

1. as against Best Max, repayment or restitution of the sum of HK\$12,000,000 paid by the Company and/or Ace Precise to Best Max (or as directed by it) under or pursuant to the Subscription Agreement and/or the Convertible Bond (the “**Sum**”);
2. as against Ronald Lo,
 - (a) payment of the Sum and all other sum payable by Ronald Lo pursuant to the Guarantee;
 - (b) an order that Ronald Lo do indemnify Ace Precise against all losses, liabilities, damages, costs and expenses whatsoever arising out of any failure by Best Max to make due and punctual payment of all sums and obligations payable by Best Max under or pursuant to the Subscription Agreement and/or the Convertible Bond; and
 - (c) further or in the alternative, restitution of the Sum;
3. further or in the alternative, an order that the Subscription Agreement, the Convertible Bond, the Deed of Release and/or the Conversion Notice be set aside;
4. as against Mr. Cheng and Joseph Ho, damages for breaches of the duty to exercise due care and skill and/or equitable compensation for breach of fiduciary duties, owed by them to the Company and Ace Precise respectively as their directors;
5. as against Mr. Yeung Tak Hung Arthur, damages for breach of the duty to exercise due care and skill and/or equitable compensation for breach of the duty of fidelity and good faith, owed by him to the Company as the Chief Operating Officer of the Company;
6. as against Best Max and Ronald Lo, equitable compensation for their dishonest assistance for breach of fiduciary duties on the part of Mr. Cheng and/or Joseph Ho and/or knowing receipt of the Sum from the breach of fiduciary duties on the part of Mr. Cheng and/or Joseph Ho;
7. as against all Defendants,
 - (a) a declaration that the Sum and all assets, income, profits and other benefits derived therefrom (the “**Derived Assets**”) were at all material times and are held upon constructive trust by all Defendants for the Company and Ace Precise;
 - (b) a declaration that all Defendants are liable to account to the Company and Ace Precise as constructive trustees for the Sum and the Derived Assets;
 - (c) all necessary accounts and inquiries for the purpose of tracing and/or following all the Sum and the Derived Assets; and
 - (d) the payment, transfer and/or delivery up of what is found due upon the taking

of such accounts and the making of such inquiries;

8. further or in the alternative, as against all Defendants, damages for the tort of causing loss by unlawful means; and/or damages for conspiracy to injure the economic interests of the Company and/or Ace Precise.

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.

REMUNERATION PACKAGES OF THE NEW DIRECTORS

The Board is pleased to announce the remuneration packages of the New Directors as follows:

- (1) Mr. Sneah Kar Loon, the Executive Director and chairman of the Board, is entitled to receive a salary of HK\$180,000 per month and any other benefits as determined by the remuneration committee of the Company;
- (2) Dato Lim Kim Wah, also known as Dato Lim Sze Guan, the Executive Director and Chief Executive Officer of the Company, is entitled to receive a salary of HK\$150,000 per month and any other benefits as determined by the remuneration committee of the Company;
- (3) Each of Mr. Io Rudy Cheok Kei, a Non-Executive Director and the Chairman of the Remuneration Committee of the Company, Mr. Lai Hock Meng, an Independent Non-Executive Director and the Chairman of the Audit Committee of the Company, and Mr. Balakrishnan Narayanan, an Independent Non-Executive Director and the Chairman of the Independent Board Committee of the Company, is entitled to receive a director's fee of HK\$170,000 per annum; and
- (4) Each of Mr. Ng Kwok Lun, a Non-Executive Director and Mr. Law Chiu William, Dato Carl Gunnar Myhre and Mr. Yong Peng Tak, each being an Independent Non-Executive Director, is entitled to receive a director's fee of HK\$120,000 per annum.

All the New Directors have not entered into any service contracts with the Company or any of its subsidiaries and there is no proposed length of their directorships, but they are subject to retirement by rotation and re-election at the annual general meeting at least once every three years in accordance with the bye-laws of the Company and the Code on Corporate Governance Practices set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The above remuneration packages of the New Directors were determined by the remuneration committee of the Company with reference to the prevailing market conditions, the duties and responsibilities and time spent on the affairs of the Company by the respective New Directors.

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

Hong Kong, 11 May 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.