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C Y FOUNDATION GROUP LIMITED
(Incorporated in Bermuda with limited liability)
(Stock code: 1182)

UNUSUAL PRICE MOVEMENT AND VOLUME MOVEMENT CLARIFICATION ANNOUNCEMENT

This statement is made at the request of The Stock Exchange of Hong Kong Limited.

We have noted the recent increase in the price of the shares of the Company on 31 May 2010 and certain articles in Oriental Daily News on 31 May 2010 (the "**News**") regarding an agreement between the Company and China Innovation Investment Limited (Stock Code: 1217) ("**China Innovation**"). The board of directors of the Company (the "**Board**") would like to make this clarification announcement to provide information to investors in relation to the said matters.

The Company would like to clarify that the Company has not entered into any agreement, understanding and negotiation with China Innovation .

The Company signed a framework cooperation agreement with a subsidiary of China Trends Holdings Limited (Stock Code: 8171) on 11 July 2008 (the "**Framework Agreement**") in relation to a cooperation in developing a computer games competition in internet cafés in the People's Republic of China, according to which the counter party shall provide certain computer hardwares and the Company shall provide certain computer softwares. Pursuant to the Framework Agreement, the parties will enter into an agreement setting out detailed terms and conditions for implementation of the Framework Agreement. However, there has not been any further agreement entered into by the counter party and the Company and the Framework Agreement has not been implemented. There has not been any substantial development or on-going negotiations regarding the transactions contemplated under the Framework Agreement. There is no assurance that the transactions contemplated under the Framework Agreement will materialise.

Further, the Company has not committed to the amount of HK\$2,600,000,000 as reported in the News and is not aware of any reason or background for the report in the News that the estimated amount involved in the transactions contemplated under the Framework Agreement amount to HK\$2,600,000,000.

Other than as set out above, the Company is not aware of any reason for the increase in the price of the Company's shares. The Company also confirms that there are no other negotiations or agreements relating to intended acquisitions or realisations which are discloseable under rule 13.23 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), and neither is the Company aware of any matter discloseable under the general obligations imposed by Rule 13.09 of the Listing Rules which is or may be of

a price-sensitive nature, other than as disclosed above.

Shareholders are reminded to exercise caution when dealing in the shares of the Company.

The Company will make further announcements as and when necessary in order to keep the market informed.

By order of the Board
WOELM Samuel
Executive Director

Hong Kong, 31 May 2010

As at the date hereof, the Board comprises Mr. CHENG Chee Tock Theodore (Chairman), Mr. WOELM Samuel, Mr. WU Chuang John, Mr. CAO Dongxin, Mr. HO Chi Chung Joseph, Mr. YU Ping, Mr. ZHANG Yiwei, Mr. TANG Ming, and Mr. HU Xichang as executive directors; Mr. WANG Shan Chuan, Mr. NG Pui Lung and Mr. FUNG Pui Cheung Eugene as independent non-executive directors.