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

- ANNOUNCEMENT ON**
- 1) REVOCATION OF THE ENGAGEMENT OF BDO FINANCIAL SERVICES LIMITED**
 - AND**
 - 2) APPOINTMENT OF ERNST & YOUNG TRANSACTIONS LIMITED**

This announcement is made by the Company on the disclosure of matters relating to the hearing of the Summons.

REVOCATION OF THE ENGAGEMENT OF BDO AND APPOINTMENT OF ERNST & YOUNG

The Board announces that on 14 May 2010 the Company has revoked the engagement of BDO to act as its independent accountant to investigate the complaints of the Petitioner and to prepare a report for submission to the Audit Committee and has appointed Ernst & Young to carry out the identical investigation work originally undertaken to be performed by BDO.

Reference is made to the announcement dated 4 May 2010 made by the Company in respect of the Summons and the announcement dated 12 May 2010 made by the Company in respect of appointment of BDO. Unless the context otherwise requires, terms used herein shall have the same meanings as defined in the Announcement.

REVOCATION OF THE ENGAGEMENT OF BDO AND APPOINTMENT OF ERNST & YOUNG

The Board announces that on 14 May 2010, the Company has revoked the engagement of BDO to act as its independent accountant to investigate the complaints of the Petitioner and to prepare a report for submission to the Audit Committee and has appointed Ernst & Young Transactions Limited ("**Ernst & Young**") to carry out the identical investigation work originally undertaken to be performed by BDO. The main reasons for the revocation of BDO's engagement and the appointment of Ernst & Young are: 1) the Audit Committee is of the view and has concern that BDO may have a conflict of interest in acting for the Company as its independent accountant since they have been retained to act for one of the subject companies under the complaint of the Petitioner in or about 2004; 2) Ernst & Young have provided the Company more competitive fee arrangement for the work by agreeing to a capped fee; and 3) Ernst & Young would be able to commence the investigation work immediately and the Board believes that Ernst & Young can

provide more personnel to handle the engagement and would be able to deliver the report within a shorter period of time.

As the Company has given an undertaking to the Court not to revoke or vary the appointment of BDO as independent accountant without first providing its reasons thereof to the parties and to the Court, the Company has informed the parties and the Court in writing on 14 May 2010 of the said revocation of engagement and appointment and the reasons therefor before it proceeded to revoke the engagement of BDO and appoint Ernst & Young. The Company also asked for the Court's acceptance to modify the Company previous undertakings as follows to reflect that it is now Ernst & Young who will carry out the investigation work: -

1. to render such assistance to Ernst & Young as it may reasonably require for the purpose of conducting its investigation and providing a report;
2. to file with the Court and serve upon the parties upon receipt thereof a signed version of the Engagement Letter confirming the appointment of Ernst & Young as independent accountant instructed to investigate and report upon the findings on the complaints of the Petitioner;
3. not to revoke or vary the said appointment of Ernst & Young as independent accountant without first providing its reasons therefor to the parties and to the Court; and
4. to file with the Court a copy of the Ernst & Young report forthwith upon receipt of the same, such that the Court thereafter will determine what (if any) part thereof should be redacted or withheld from any party to the Petition, having considered submissions from the parties.

The Company will, if appropriate, keep the Shareholders and potential investors informed of any material development and findings by Ernst & Young by way of further announcement as and when appropriate.

By order of the Board
WOELM Samuel
Executive Director

Hong Kong, 14 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.