

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, makes 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)

ANNOUNCEMENT

- (1) PETITION PURSUANT TO SECTION 168A OF THE COMPANIES ORDINANCE**
- (2) DISCLOSURE PURSUANT TO RULE 3.7 OF THE TAKEOVERS CODE**
- AND**
- (3) RESUMPTION OF TRADING**

THE PETITION

The Board announces that on 14 April 2010 the Company was served with the Petition issued pursuant to section 168A of the Companies Ordinance. The Petitioner is a substantial shareholder of the Company holding 3,246,264,127 Shares (represented approximately 46.58% of the total issued Shares as at 20 April 2010).

Under the Petition, the Petitioner is seeking from the Court, among other things, (i) an order against the Company requiring it to amend its Bye-law 86(4) such that the Company may by ordinary resolution remove a Director at any time before the expiration of his period of office provided that a statement of the intention to remove a Director be served on such Director fourteen days before the meeting; (ii) an order against the Company requiring it to amend its Bye-law 86(1) such that the members in general meeting may themselves fill or, authorize the Board to fill any vacancy in their number left unfilled at any general meeting; (iii) injunction restraining the Respondents from voting against the resolution to amend Bye-law 86(4) at the special general meeting of the Company to be held on 30 April 2010 or any adjournment thereof; (iv) an order that the Company do cause Suzhou CYF not to proceed with the Suzhou Caidebao Transaction and to demand the repayment of the earnest money; (v) a declaration that the purported appointment of the Additional Directors as executive Directors with effect from 16 November 2009 was invalid and of no effect; and (vi) an order for the appointment of a receiver and/or manager for the purposes of conducting an independent investigation and/or audit of the matters complained of in the Petition.

The Petition has been fixed to be heard on 22 April 2010. The Company is now seeking legal advice regarding the Petition and intends to vigorously defend the Petition for the part of the Company. The Company will keep the Shareholders and potential investors informed of any material development in connection with the Petition by way of further announcements as and

when appropriate.

THE POSSIBLE OFFER

On 14 April 2010, the date immediately after the lapse of the Offers, the Company was informed that a Potential Purchaser has approached the Petitioner to acquire all or part of the Shares held by the Petitioner, and talks relating to such proposed acquisition are taking place. It is also indicated that if the proposed acquisition materializes, it may or will lead to a mandatory general offer being made by the Potential Purchaser. As at the date of this announcement, despite the Company's request, the Company still has not been informed of the identity of the Potential Purchaser and is not aware of any terms of any possible offer have been finalized.

There is no certainty that any talks relating to the potential acquisition will proceed or that the same will result in a binding agreement or a change of control of the Company. Shareholders and potential investors are urged to exercise caution when dealing in the Shares.

RESUMPTION OF TRADING

Trading in Shares on the Stock Exchange was suspended on 15 April 2010 at the request of the Company pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in Shares with effect from 9:30 a.m. on 22 April 2010.

THE PETITION

The Board announces that on 14 April 2010 the Company was served with the Petition issued pursuant to section 168A of the Companies Ordinance.

The Petitioner is a substantial shareholder of the Company holding 3,246,264,127 Shares (represented approximately 46.58% of the total issued Shares as at 20 April 2010). The Petition was issued to nine Respondents, including the Company; Mr. Cheng Chee Tock Theodore (Chairman and executive Director); Ms. Leonora Yung (wife of Mr. Cheng Chee Tock Theodore) who holds 1,757,142,856 Shares (represented approximately 25.21% of the total issued Share as at 20 April 2010) through the remaining 6 other Respondents which are all companies incorporated under the laws of the British Virgin Islands and controlled by Leonora Yung.

Under the Petition, the Petitioner is seeking from the Court, among other things:

- (i) an order against the Company requiring the Company to amend the following Bye-laws:
 - (a) Bye-law 86(4) – such that the Company may by ordinary resolution remove a Director at any time before the expiration of his period of office provided that a statement of the intention to remove a Director be served on such Director fourteen days before the meeting;
 - (b) Bye-law 86(1) – such that the members in general meeting may themselves fill or, authorize the Board to fill or, without prejudice to the said power, any vacancy in their number left unfilled at any general meeting;

- (ii) an injunction restraining the Respondents from voting against the resolution to amend Bye-law 86(4) at the special general meeting of the Company to be held on 30 April 2010 or any adjournment thereof or at any other general meeting at which the resolution to amend Bye-law 86(4) is to be voted on by the Shareholders;
- (iii) an order that the Company do forthwith cause Suzhou CYF not to proceed with the Suzhou Caidebao Transaction and to demand the repayment of the earnest money in the amount of RMB18,000,000;
- (iv) a declaration that the purported appointment of the Additional Directors as executive Directors with effect from 16 November 2009 was invalid and of no effect and an order that they be removed from the register of directors of the Company; and
- (v) an order for the appointment of a receiver and/or manager and/or such other person(s) for the purposes of conducting an independent investigation and/or audit of the matters complained of in the Petition.

The Petition has been fixed to be heard on 22 April 2010. The Company is now seeking legal advice regarding the Petition and intends to vigorously defend the Petition for the part of the Company. The Company will keep the Shareholders and potential investors informed of any material development in connection with the Petition by way of further announcements as and when appropriate.

THE POSSIBLE OFFER

On 14 April 2010, the date immediately after the lapse of the Offers, the Company was informed that a Potential Purchaser has approached the Petitioner to acquire all or part of the Shares held by the Petitioner, and talks relating to such proposed acquisition are taking place. It is also indicated that if the proposed acquisition materializes, it may or will lead to a mandatory general offer being made by the Potential Purchaser. As at the date of this announcement, despite the Company's request, the Company still has not been informed of the identity of the Potential Purchaser and is not aware of any terms of any possible offer have been finalized.

The Company will make further announcement to inform the market in compliance with the Takeovers Code, including by way of monthly progress announcements pursuant to Rule 3.7 of the Takeovers Code until an announcement of a firm intention to make an offer or of a decision not to proceed with an offer is made in compliance with the Takeovers Code.

Securities of the Company

As at the date of this announcement, the Company has a total of 6,968,710,326 Shares. Save for the aforesaid, the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the date of this Announcement.

Responsibilities of Stockbrokers, Banks and Other Intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations

attaching to associates and other persons under Rule 22 of the Takeovers Code and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant rules of the Takeovers Code. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7-day period is less than HK\$1 million.

This dispensation does not alter the obligations of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive (as defined in the Takeovers Code) in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive (as defined in the Takeovers Code) with relevant information as to those dealings, including identities of clients, as part of that co-operation.

The aforesaid expression of interest may be terminated by notice from the Potential Purchaser. There is no assurance that any transaction mentioned in this announcement will materialize or eventually be consummated. There is no certainty that any talks relating to the potential acquisition will proceed or that the same will result in a binding agreement or a change of control of the Company. Shareholders and potential investors are urged to exercise caution when dealing in the Shares.

RESUMPTION OF TRADING

Trading in Shares on the Stock Exchange was suspended on 15 April 2010 at the request of the Company pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in Shares with effect from 9:30 a.m. on 22 April 2010.

DEFINITIONS

In this announcement, the following words and expressions shall, unless the context otherwise requires, have the following respective meanings:

| | |
|-------------------------------|--|
| “Additional Directors” | Messrs. Ho Chi Chung, Joseph, Yu Ping, Zhang Yiwei and Tang Ming appointed by the Company as executive Directors of the Company with effect from 16 November 2009 according to an announcement of the Company dated 20 November 2009 |
| “Board” | the board of Directors |
| “Company” | C Y Foundation Group Limited, a company incorporated in Bermuda with limited liability and whose shares are listed on the Main Board of the Stock Exchange |
| “Companies Ordinance” | Companies Ordinance (Chapter 32 of the Laws of Hong Kong) |

| | |
|--------------------------------------|--|
| “Court” | The High Court of Hong Kong |
| “Director(s)” | the director(s) of the Company |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Offers” | the share offer and the comparable option offer made by the Petitioner on 12 February 2010 pursuant to Rule 26 and Rule 13 of the Takeovers Code |
| “Petition” | the petition issued against the Company pursuant to section 168A of the Companies Ordinance |
| “Petitioner” | Luck Continent Limited, a company incorporated on 11 January 2005 under the laws of the British Virgin Islands whose sole director and shareholder of the Petitioner is Dato Poh Po Lian |
| “Potential Purchaser” | a third party (whose identity is still unknown to the Company) who has approached to the Petitioner to acquire all or part of the Shares held by the Petitioner |
| “Respondents” | respondents of the Petition |
| “Shareholder(s)” | shareholder(s) of the Company |
| “Share(s)” | share(s) of HK\$0.001 each in the issued share capital of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Suzhou Caidebao Transaction” | a letter of intent dated 25 April 2008 entered into between Suzhou CYF and Double Splendour Investment Management Co Ltd. in relation to a property development project |
| “Suzhou CYF” | Suzhou C Y Foundation Entertainment and Investment Management Limited, a company established under the laws of the PRC and a wholly-owned subsidiary of the Company |
| “Takeovers Code” | The Code on Takeovers and Mergers |
| “%” | per cent |

* For identification purpose only.

By order of the Board
WOELM Samuel
Executive Director

Hong Kong, 21 April 2010

The Directors jointly and severally accept full responsibility for accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

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.