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C Y FOUNDATION GROUP LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 1182)

NOTIFICATION FROM A SHAREHOLDER REGARDING THE EXERCISE OF SUBSCRIPTION RIGHTS UNDER WARRANTS HELD BY IT IN THE COMPANY WHICH MIGHT LEAD TO A MANDATORY GENERAL OFFER AND RESUMPTION OF TRADING

POSSIBLE MANDATORY GENERAL OFFER

On 8 January 2010, the Board received the Exercise Notice through the legal advisor of the Shareholder that the Shareholder has exercised the Subscription Rights of an amount of HK\$5,000,000 pursuant to the Warrants at the subscription price of HK\$0.01 per Share. As following the exercise of the Subscription Rights in relation to the Subscribed Shares, the Shareholder which is presently holding more than 30% of the voting rights of the Company will acquire additional Shares carrying voting rights of more than 2% from its lowest percentage holding in the previous 12 month period, the issue and allotment of the Subscribed Shares might lead to the Offer being made by the Shareholder to all shareholders of the Company pursuant to Rule 26.1 of the Takeovers Code.

Further announcement will be made by the Company when the Board receives any further information regarding the Offer. **Shareholders of the Company should pay attention to any announcement and offer document regarding the Offer to be**

published and despatched in accordance with Rule 3.5 and Rule 8.2 of the Takeovers Code, respectively. Besides, shareholders of the Company and potential investors are advised to exercise extreme caution when dealing in the shares of the Company.

RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 11 January 2010 at the request of the Company pending release of this announcement. Application has been made to the Stock Exchange for a resumption of trading of the shares in the Company with effect from 9:30 a.m. on 12 January 2010.

POSSIBLE MANDATORY GENERAL OFFER

Reference is made to the announcements of C Y Foundation Group Limited (“Company”) dated 26 November 2009 (“Announcement”) and 30 December 2009 respectively. This announcement is made pursuant to Rule 3.2 of the Takeovers Code and Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Unless otherwise defined, terms used herein shall have the same meanings as those defined in the Announcement.

On 8 January 2010, the Board received a written notice of the same date (“Exercise Notice”) through the legal advisor of the Shareholder that the Shareholder has exercised the Subscription Rights of an amount of HK\$5,000,000 pursuant to the Warrants at the subscription price of HK\$0.01 per Share. According to the conditions of the Warrants, the Shares falling to be issued upon the exercise of the Subscription Rights will be allotted and issued no later than ten business days after the relevant subscription date. 500,000,000 Shares (the “Subscribed Shares”) will be allotted to the Shareholder in accordance with the conditions of the Warrants.

As of the date of this announcement, the Shareholder is interested in 2,746,264,127 Shares, representing approximately 42.48% of the existing issued share capital of the Company. Assuming that no further Shares, except the Subscribed Shares, are issued from the date of this announcement to the date of issue and allotment of the Subscribed Shares (the “Allotment Date”), the Shareholder will be interested in 3,246,264,127 Shares, representing approximately 46.61% of the issued share capital

of the Company as enlarged by the issue and allotment of the Subscribed Shares on the Allotment Date. As following the exercise of the Subscription Rights in relation to the Subscribed Shares, the Shareholder which is presently holding more than 30% of the voting rights of the Company will acquire additional Shares carrying voting rights of more than 2% from its lowest percentage holding in the previous 12 month period, the issue and allotment of the Subscribed Shares might lead to a mandatory general offer (the "Offer") being made by the Shareholder to all shareholders of the Company pursuant to Rule 26.1 of the Takeovers Code. The Exercise Notice did not provide for any terms or conditions in relation to the Offer.

As at the date of this announcement, the securities issued by the Company include 6,464,710,326 Shares, the Warrants and an aggregate of 11,930,000 outstanding share options which have been granted under the share option scheme adopted by the Company on 30 August 2002.

Disclosure of Dealings

The Board wishes to remind its associates to disclose their dealings in any securities of the Company under Rule 22 of the Takeovers Code.

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 obligation 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.

Further announcement will be made by the Company when the Board receives any further information regarding the Offer. **Shareholders of the Company should pay attention to any announcement and offer document regarding the Offer to be published and despatched in accordance with Rule 3.5 and Rule 8.2 of the Takeovers Code, respectively Besides, shareholders of the Company and potential investors are advised to exercise extreme caution when dealing in the shares of the Company.**

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By order of the Board
Cheng Chee Tock Theodore
Chairman

Hong Kong, 11 January 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 and Mr. NG Pui Lung as independent non-executive directors.

All directors of the Company jointly and severally accept full responsibility for the accuracy of information contained in this announcement and confirm, having made all reasonable inquiries, 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.