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C Y FOUNDATION GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1182)

VOLUNTARY ANNOUNCEMENT – SETTLEMENT OF LEGAL PROCEEDINGS

On 22 July 2013, Lucky Zone and Mr. Leung entered into the Deed of Settlement in relation to the Judgment pursuant to which Mr. Leung shall pay US\$2,000,000 (equivalent to approximately HK\$15.6 million) plus legal costs to Lucky Zone for the settlement of the Judgment Sum in the manner specified therein.

Reference is made to the interim report of C Y Foundation Group Limited (the “**Company**”) for the six months ended 30 September 2012 and the annual report of the Company for the year ended 31 March 2013 respectively, wherein it was disclosed, among other matters, that on 11 May 2012, Lucky Zone Holdings Limited (“**Lucky Zone**”), a subsidiary of the Company, issued writs of summons in the High Court of Hong Kong against, among others, Mr. Leung Ching Yuen Ronald (“**Mr. Leung**”) and Winning Beauty Investments Limited (“**Winning Beauty**”), claiming against Winning Beauty for the overdue principal sum of convertible notes in the amount of US\$2,500,000 (equivalent to approximately HK\$19.5 million) and against Mr. Leung for his obligations to guarantee the repayment by Winning Beauty under a personal guarantee given in favour of Lucky Zone.

Subsequently, a judgment (the “**Judgment**”) has been granted by the High Court in favour of Lucky Zone, ordering Winning Beauty and Mr. Leung to pay Lucky Zone jointly all the sums of convertible notes plus interest up to 11 May 2012, amounting to US\$2,614,270.26 (equivalent to approximately HK\$20.4 million) (the “**Judgment Sum**”).

THE DEED OF SETTLEMENT

The board (the “**Board**”) of directors (the “**Directors**”) of the Company wishes to announce that, on 22 July 2013, Lucky Zone and Mr. Leung entered into a deed of settlement (the “**Deed of Settlement**”) in relation to the settlement of the Judgment. Pursuant to the Deed of Settlement, Mr. Leung shall pay US\$2,000,000 (equivalent to approximately HK\$15.6 million) (the “**Settlement Sum**”) to Lucky Zone for the settlement of the Judgment Sum (the “**Settlement**”) in the following manner:

1. US\$1,500,000 (equivalent to approximately HK\$11.7 million) being part of the Settlement Sum shall be paid on or before 12 August 2013; and
2. the balance of the Settlement Sum of US\$500,000 (equivalent to approximately HK\$3.9 million)

million) shall be paid in 20 equal quarterly installments in the amount of US\$25,000 (equivalent to approximately HK\$195,000) each commencing from 22 October 2013.

Apart from the Settlement Sum, Mr. Leung has also paid HK\$100,000 to Lucky Zone upon the execution of the Deed of Settlement being the agreed legal costs.

Upon payment in full of the Settlement Sum, no party to the Deed of Settlement shall have any claim or demand against the other party under the Judgment.

In the event that Mr. Leung fails to punctually or fully pay the relevant sums as stated above, Lucky Zone shall be entitled to enforce the outstanding Judgment Sum together with interest and costs against Winning Beauty and Mr. Leung immediately.

REASONS FOR THE SETTLEMENT

Since the granting of the Judgment, the Company has been negotiating with Mr. Leung and Winning Beauty for the settlement of the Judgment Sum. Taking into account: (i) the financial positions of Mr. Leung and Winning Beauty and (ii) the time and costs of enforcing the Judgment Sum by Lucky Zone against Mr. Leung and Winning Beauty, the Board considers that Settlement will save the time and costs for the Company to proceed to any enforcement proceedings while the Settlement Sum recoverable by the Company is more certain. The Board is of the view that the terms of Settlement, which have been negotiated on arm's length basis between the Company and Mr. Leung, are fair and reasonable and are in the interest of the Company and its shareholders as a whole.

By order of the Board
C Y Foundation Group Limited
SNEAH Kar Loon
Chairman

Hong Kong, 22 July 2013

For the purpose of this announcement, conversion of US\$ into HK\$ is based on the exchange rate of US\$1 to HK\$7.8. The exchange rate has been used, where applicable, for the purposes of illustration only and does not constitute a representation that any amount is or may have been exchanged at this or any other rates or at all.

As at the date of this announcement, the executive Directors are Mr. SNEAH Kar Loon, Mr. BALAKRISHNAN Narayanan, Mr. NG Kwok Lun and Mr. LIN Zheyang, the independent non-executive Directors are Mr. LAI Hock Meng, Mr. YONG Peng Tak, Mr. IO Rudy Cheok Kei and Mr. GOH Hoon Leum.