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C Y FOUNDATION GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1182)

VOLUNTARY ANNOUNCEMENT – UPDATE ON LEGAL PROCEEDINGS

The Board wishes to provide an update regarding the latest development of the legal proceedings to which the Group is a party since the issuance of the Company's annual report for the year ended 31 March 2014.

On 4 August 2014, settlements were reached between the Company and all Defendants of the Unauthorized Bonus Case by which the Company would receive a total settlement sum of HK\$8.89 million inclusive of agreed legal cost for its total claim of approximately HK\$6.08 million.

As of the date hereof, there are only 4 active legal proceedings in continuance in which the Company and/or member(s) of the Group is/are plaintiffs in 3 of them and a respondent in the remaining one. The Group will continue to pursue the 3 legal proceedings claiming an aggregate sum of approximately HK\$30 million. In the 4th action, the Group will continue to maintain a neutral stance in relation to disputes between shareholders of the Company.

Reference is made to the annual reports of C Y Foundation Group Limited (the “**Company**”) for the years ended 31 March 2011, 31 March 2012, 31 March 2013 and 31 March 2014 respectively and the interim reports of the Company for the six months ended 30 September 2011, 30 September 2012 and 30 September 2013 respectively (“**Financial Reports**”) and the announcements of the Company dated 18 April 2011, 11 May 2011, 16 June 2011, 26 August 2011 and 22 July 2013 respectively (the “**Announcements**”), in relation to, among other matters, the litigations of the Company. Capitalized terms used herein shall have the same meanings as those defined in the Financial Reports and the Announcements unless the context otherwise requires.

The board of directors (the “**Board**”) of the Company wishes to provide an update to shareholders regarding the latest development of the legal proceedings to which the Company and its subsidiaries (together, the “**Group**”) are a party since the issuance of the Company’s annual report for the year ended 31 March 2014.

UNAUTHORIZED BONUS CASE

On 3 June 2011, the Company, as Plaintiff, issued a writ of summons in the High Court against, among others, 12 former employees (the “**Defendants**”) in respect of various claims relating to the sums totaling HK\$6,077,100, together with the related interests, costs and further and/or other relief, caused, procured and/or permitted by the former management, without any or proper authority or authorization of the Company and in breach of their respective duties to the Company under the guise or pretence of special bonuses to the recipients.

On 4 August 2014, settlements had been agreed between the Company and all Defendants of the Unauthorized Bonus Case which the Company would receive a total settlement sum of HK\$8.89 million inclusive of agreed legal costs (the “**Settlement Sum**”). Among the Settlement Sum, HK\$3 million had been received on 16 July 2014; and the remaining will be paid by the various Defendants to the Company by 1 to 2 instalments within the 3rd and 6th months from the respective dates of settlements.

KINGBOX ACTION

On 17 August 2011, Kingbox (Asia) Limited (“**Kingbox**”) (a wholly-owned subsidiary of the Company) commenced a legal proceeding in the High Court against a former senior executive (the “**Former Executive**”) in respect of a Supplemental Agreement which provides that Kingbox would pay to the Former Executive upon the termination of the Former Executive’s employment a remunerative payment which equaled the Former Executive’s annual salary income multiplied by two years (the total amount should not exceed 28 months’ salary). The amount payable pursuant to the Supplemental Agreement is approximately HK\$2,520,000.

On 11 June 2014, settlement of the Kingbox Action was reached with the Former Executive by which both Kingbox and the Former Executive have discontinued their claims and/or counterclaim and costs of this action up to 26 May 2014, including any costs reserved in respect thereof, be paid by the Former Executive to Kingbox, to be taxed if not agreed.

The Board is of the view that the settlements of the Unauthorized Bonus Case and the Kingbox Action, which have been negotiated on arm's length basis between the Company and the relevant parties, are fair and reasonable and are in the interest of the Company and its shareholders as a whole.

As of the date hereof, there are only 4 active legal proceedings in continuance in which the Company and/or member(s) of the Group is/are plaintiffs in 3 of them and a respondent in the remaining one. The Group will continue to pursue the 3 legal proceedings claiming an aggregate sum of approximately HK\$30 million. In the 4th action, the Group will continue to maintain a neutral stance in relation to disputes between shareholders of the Company.

Further announcement(s) will be made when necessary if there is any material update to the litigations of the Group.

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

Hong Kong, 8 August 2014

As at the date of this announcement, the executive directors of the Company are Mr. SNEAH Kar Loon, Mr. LAI Hock Meng and Mr. LIN Zheyang; the independent non-executive directors are Mr. YONG Peng Tak, Mr. IO Rudy Cheok Kei, Mr. GOH Hoon Leum and Mr. ER Kwong Wah.