

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

CHAORYUE GROUP LIMITED

超越集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 00147)

VOLUNTARY ANNOUNCEMENT

This announcement is made by Chaoyue Group Limited (the “**Company**”, together with its subsidiaries the “**Group**”) on a voluntary basis.

References is made to announcement of the Company dated 22 and 23 September, 7 and 27 October and 16 November 2016 in relation to the next generation settlement network of the Group (the “**Next Generation Settlement Network**”). The Group would like to provide its shareholders and potential investors with more insight as to the Next Generation Settlement Network.

THE NEXT GENERATION SETTLEMENT NETWORK (NGSN)

On 22 September 2016, the Group acquired International Business Settlement Limited (“**IBS HK**”) from various sellers at a total consideration of HK\$25,000,000. Based on the platform developed by IBS HK (i.e. the Next Generation Settlement Network), the Group started the international settlement business. As all applicable percentage ratios (as defined in the Listing Rules) were below 5%, the transaction was not a notifiable transaction under the Listing Rules. All the sellers were third parties independent from the Company and its connected persons. Mr. Luo Feng (who is an executive director and chairman of the Company) was previously a beneficial owner of one of the sellers.

The Next Generation Settlement Network is a global distributed multi-currency settlement network that aims to provide an alternative settlement network which is capable of point-to-point, around the clock, multi-currency, real time settlement service to international financial institutions, international corporations and small to medium size enterprises other than the traditional global settlement path. At present, when there is a payor giving instructions to its bank to transfer an amount of money to a payee in a different country in a different currency, the payor's bank will use the traditional settlement network to do the remittance. Typically, traditional settlement network will engage different inter-banks to arrange for the remittance. Remittance can take up to 3-15 days and the costs involved can be relatively high. Also, due to the use of inter-banks in the settlement, there are uncertainties as to the settlement. The Next Generation Settlement Network will use the latest technology (such as regional settlement technology with block chain and big data) so that the settlement can be done on a real-time basis and around the clock (i.e., "7X24"), and with a relatively lower costs. With the faster settlement process, the Next Generation Settlement Network can also minimize the foreign exchange risk exposure during the remittance process.

With the Next Generation Settlement Network, the Group aims to provide a new global multi-currency settlement network to financial institutions worldwide and to provide the international financial industry with an alternative settlement network to the traditional network.

The Group currently has over 50 financial technology experts in its core research and development team, majority of whom has post-graduate degree in relevant sector and has work experience at banks and financial institutions. Some of our experts have also previously worked at central banks, international credit card companies. The Group has also engaged third party service provider to assist to develop the software for the platform of the Next Generation Settlement Network. According to the service agreement entered with such third party service provider, the Group will be the sole owner of the intellectual property rights of the platform. The Group is to connect its platform of the Next Generation Settlement Network with central banks, banks, financial institutions to provide global settlement service. The Group will charge institutions subscribing service of NGSN a subscription fee and its customers a fee as per transaction.

As the Next Generation Settlement Network is to be connected with various central banks and commercial banks, the network will be complying with various rules and regulations as required by different central banks. After testing by the Central Bank of Lithuania, as disclosed in the Company's announcement dated 7 October 2016, the platform of the Next Generation Settlement Network has successfully connected with the Central Bank of Lithuania. Via the Central Bank of Lithuania, the Next Generation Settlement Network is also connecting to the Single Euro Payments Area ("SEPA") which is the payment-integration initiative of the banks within the European Union for simplification of bank transfers denominated in euro. Via the SEPA, the Group's platform is connected to 31 countries of Europe. The Company confirms that the Next Generation Settlement Network is in compliance with the laws and regulations of the jurisdictions where it has connected and operating in.

CURRENT STAGE OF DEVELOPMENT

As at the date hereof, the setup of the core system of the Next Generation Settlement Network has basically completed. The core system is now capable of cross-border payment and settlement. The Group is to enter into partnership/service agreement with its customers. Currently, the Group is at an advanced stage of discussion with several potential customers who are financial services providers based in Europe and China. It is expected that such potential customers will be entering into partnership/service agreement with the Company by end of 2016.

After entering into partnership/service agreement with a new customer, similar to most financial services institutions, the Group will be conducting client background due diligence before opening an account with the new customer. At the same time, technicians will customize the connection interfaces between the customer's system and the Group's system so that the new customer will be able to connect with the Group's network. It is expected that client due diligence and interface customization will take approximately one to two months. Therefore, the Next Generation Settlement Network is expected to generate revenue for the Group on or before end of March 2017, being the financial year end of the Group.

Going forward, the Group will further modify its platform according to market demand, customers' requirements, and will also co-ordinate with central banks, commercial banks and corporations to further modify its system and develop more modules.

DEVELOPMENT PLAN

The development of the Next Generation Settlement Network will be in two phases: (i) first phase: mainly focusing on the development and launching of Central Asia, South Asia, and European platform by March 2018; (ii) second phase: development and launching of the Middle East and Africa platform and expansion of platform developed in the first phase.

The Group has launched its platform in Europe in October 2016. However, to equip the system to serve more customers with larger transaction amounts and to cover more regions, the Group's system requires continuous modification and upgrade, which requires further funds. Also, as the client base of the Next Generation Settlement Network grows, different customers will require modification to the interface which will require continuous research in the technology, modification to the interface and upgrading of the system. Moreover, the Next Generation Settlement Network is a new age financial technology that develops and evolves with an extremely fast pace. Research and development will be crucial to the long term development of the Next Generation Settlement Network.

It is currently estimated that the total amount required to be invested by the Company into the development of the Next Generation Settlement Network is about HK\$3,000 million, of which 70% of which will be applied towards hardware and software for the platform, 20% of which for research and development, 10% of which for working capital of the Group.

First phase of development will require approximately HK\$1,600 million, which the Group is raising by way of placing of shares which has been announced on 24 November 2016 (the "**Placing**"). The net proceeds from the Placing is expected to cover most of the first phase development of the Next Generation Settlement Network. The Company grasped a good opportunity to proceed the Placing and the fund from the Placing will be crucial to speed up the development of the Next Generation Settlement Network. It requires further funds to modify and upgrade so as to be able to serve more customers, to handle more and larger transactions and to cover more regions. The timeline and the progress of the development of second phase is depend on the financial position of the Group. The Company will consider applying its internal resources or fund-raising alternatives to fund the remaining HK\$1,400 million as and when appropriate. The second phase is an expansion of the project and will cover more country, and undertake more transaction volume.

As disclosed in the Placing announcement, the net proceeds from the Placing (being approximately HK1,587 million) are intended to be applied mainly towards the Group's business development of the platform for the Next Generation Settlement Network. Approximately HK\$300 million (being approximately 20% of the use of proceeds of the Placing) is to be applied to research and development, which includes (i) research and development of core technology that are relevant to the Next Generation Settlement Network, e.g. development of big data, risk management, security encryptions, block chain, artificial intelligence; (ii) development of new function for the platform according to customers' requirements and market needs; (iii) system examination certificate fee charged by different countries where the Next Generation Settlement Network is to be launched; (iv) connection fee with banks and financial institutions. To equip the Group with necessary technology for the new global settlement network, the Group intends to apply approximately HK\$1,087 million (being approximately 70% of the net proceeds of the Placing) for purchasing its software and hardware, focusing on system management software, surveillance security software, application software and middleware. Out of the HK\$1,087 million, the Group will apply approximately HK\$929 million to purchase hardware for server of the system. In addition, the Group will apply the remaining balance of approximately HK\$200 million as general working capital.

CHALLENGES AHEAD

As customers have been using the traditional global settlement network for many years, we need to put more effort to ask customers to break tradition and use the Next Generation Settlement Network. The Group's Next Generation Settlement Network featured low costs, instant global settlement services, which compares with the traditional settlement network, will provide customers with services of more efficient in terms of both time and costs. The Group is confident that many customers will be attracted to such features of the Next Generation Settlement Network.

With the Next Generation Settlement Network, the Group is tapping into the very aggressive financial technology ("**FinTech**") industry. FinTech is an industry that uses new technology and innovation to disrupt the marketplace of traditional financial institutions and intermediaries in the delivery of financial services. FinTech is very competitive and technology involved in the new business of the Next Generation Settlement Network is evolving at a very fast pace. The Group will require strong financial and technical support to be able to be competitive in the FinTech industry.

As disclosed in the announcement of the Company dated 5 December 2016, two places have already agreed to subscribe for shares of the Company. Also, as disclosed above, the Group already has built a strong research and development team with numerous financial technology experts and is continuing to focus on technology development of the Next Generation Settlement Network. The Group also plan to employ financial technology experts in different countries to build a local team to develop our service. Therefore, the Group is confident that the new business of the Next Generation Settlement Network will be able to enhance its shareholders' value.

Also, the Group's new business depends on the co-operation of various central banks and commercial banks of different jurisdictions. The Group's senior management team, led by the Group's Chairman, has already successfully negotiated and entered into co-operation agreement with some central banks along the "One Belt One Road" route, such as Laos and Djibouti. The Group is confident that with the successful launch of the Group's platform in some of the regions will encourage central banks and commercial banks in other regions to follow.

The Group has already set up a joint working group with the Central Bank of Laos to prepare for the launch of the Next Generation Settlement Network in Laos. In Djibouti, a local team of the Group is co-ordinating with the Ministry of Finance of Djibouti for the preparation work of the Next Generation Settlement Network and connection with the Ministry of Finance of Djibouti. According to its current status, it is expected that the Next Generation Settlement Network will be able to connect with the Central Banks of Laos and the Ministry of Finance of Djibouti in or about mid-2017. The Company will continue to update its shareholders from time to time as to status and operation of the Next Generation Settlement Network in Laos, Djibouti and other countries.

OTHER EXISTING BUSINESSES

While developing the new business, the Group continues to be engaged in the business of property development, consultancy services and trading of goods. As mentioned in the annual report 2016 of the Group, the future development of the property market in the PRC is expected to remain stable. The Company will review from time to time potential business opportunities and investments to enhance shareholders' value.

By Order of the Board
Chaoyue Group Limited
Luo Feng
Chairman

Hong Kong, 14 December 2016

As at the date of this announcement, the Board of Directors comprises Mr. Luo Feng (Chairman), Mr. Yuen Leong, Ms. Luan Li and Ms. Li Na as executive directors; and Dr. Lam Man Kit, Dominic, Mr. Yap Yung, Mr. Zhang Guangsheng, Mr. Chan Siu Tat and Mr. Shao Ping as independent non-executive directors.