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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **Chaoyue Group Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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**CHAORYUE GROUP LIMITED**  
**超越集團有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00147)**

**VERY SUBSTANTIAL DISPOSAL**  
**AND**  
**NOTICE OF SPECIAL GENERAL MEETING**

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A notice convening the special general meeting of Chaoyue Group Limited to be held at Unit 2302, 23rd Floor, China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong at 10:30 a.m. or immediately after the Company's annual general meeting for the financial year ended 31 March 2012 to be held at 10:00 a.m., whichever is later, on Friday, 21 September 2012 is set out on pages SGM-1 to SGM-2 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's principal place of business in Hong Kong at Unit 2302, 23rd Floor, China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong as soon as practicable and in any event not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof (as the case may be) should you so wish.

31 August 2012

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## CONTENTS

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	<i>Page</i>
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b> .....	4
<b>APPENDIX I – FINANCIAL INFORMATION OF THE GROUP</b> .....	I-1
<b>APPENDIX II – FINANCIAL INFORMATION OF THE PARK WEALTH GROUP</b> .....	II-1
<b>APPENDIX III – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP</b> .....	III-1
<b>APPENDIX IV – GENERAL INFORMATION</b> .....	IV-1
<b>NOTICE OF THE SPECIAL GENERAL MEETING</b> .....	SGM-1

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## DEFINITIONS

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*In this circular, the following expressions shall have the meanings defined below unless the context indicates otherwise:*

“Agreement”	the agreement dated 22 June 2012 entered into between Successtime and the Purchaser in relation to the Disposal
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	any day(s) on which banks in Hong Kong are open for business, excluding a Saturday, Sunday or public holiday
“Company”	Chaoyue Group Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 00147)
“Completion”	completion of the Disposal
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the aggregate consideration for the Sale Shares and the Sale Loan of HK\$78.5 million payable by the Purchaser to Successtime under the Agreement
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Sale Shares and the Sale Loan by Successtime to the Purchaser pursuant to the Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	29 August 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

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## DEFINITIONS

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“Mine”	the gold and copper mine located in Jala-Abad Provinces, Southwest of Kyrgyzstan
“Mine Disposal”	disposal of 70% interest in each of the two subsidiaries of the Company, Fastmind Investments Limited and Acme Day Limited, which together indirectly own a company with exploration licence and mining licence for the Mine
“Park Wealth”	Park Wealth International Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company before Completion
“Park Wealth Group”	Park Wealth and its subsidiaries
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau Special Administrative Region and Taiwan for the purpose of this circular
“Purchaser”	Fresh Water Group Limited, a company incorporated in the British Virgin Islands with limited liability
“Remaining Group”	the Group upon Completion
“Sale Loan”	the total amount of shareholder’s loan owed by Park Wealth to Successtime as at the date of Completion
“Sale Shares”	1,000 issued shares of US\$1 each in the capital of Park Wealth, representing the entire issued share capital of Park Wealth as at the date of the Agreement
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held to consider and, if thought fit, to approve the Agreement and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.001 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

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## DEFINITIONS

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“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“Successtime”	Successtime Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“United”	聯和(福建)企業管理有限公司 (United (Fujian) Enterprise Management Co., Ltd.), a wholly foreign-owned enterprise established in the PRC and an indirect 60%-owned subsidiary of the Company
“HK\$” or “HK dollar”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$” or “US dollar”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

*For illustrative purposes, figures in RMB and US\$ in this circular have been translated into HK\$ at the exchange rate of RMB1 = HK\$1.23 and US\$1 = HK\$7.8, respectively. Such conversions shall not be construed as a representation that amounts in RMB or US\$ were or may have been converted into HK\$ using such exchange rates or any other exchange rates or at all.*

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## LETTER FROM THE BOARD

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### CHAOYUE GROUP LIMITED

超越集團有限公司

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 00147)

*Executive Directors:*

Mr. Yuen Leong

Ms. Luan Li

*Independent Non-executive Directors:*

Dr. Lam Man Kit, Dominic

Mr. Yap Yung

Mr. Zhang Guang Sheng

*Registered Office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Head Office and Principal Place  
of Business:*

Unit 2302, 23rd Floor

China Insurance Group Building

141 Des Voeux Road Central

Hong Kong

31 August 2012

*To the Shareholders*

Dear Sir or Madam,

### VERY SUBSTANTIAL DISPOSAL AND NOTICE OF SPECIAL GENERAL MEETING

#### INTRODUCTION

On 22 June 2012, after trading hours of the Stock Exchange, Successtime (a wholly-owned subsidiary of the Company) and the Purchaser entered into the Agreement, pursuant to which Successtime conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Sale Shares and the Sale Loan for the Consideration (i.e. HK\$78.5 million). The Sale Shares represent the entire issued share capital of Park Wealth whilst the Sale Loan represents the total amount of the Shareholder's loan owed by Park Wealth to Successtime as at the date of Completion.

Upon Completion, the Company will cease to hold any interest in Park Wealth and each member of the Park Wealth Group shall cease to be a subsidiary of the Company. The Disposal constitutes a very substantial disposal for the Company under the Listing Rules and thus is subject to the approval of the Shareholders at the SGM by way of poll.

The purpose of this circular is to provide you with, among other things, (i) details of the Agreement; (ii) financial information of the Group; (iii) financial information of the Peak Wealth Group; (iv) the unaudited pro forma financial information of the Remaining Group; and (v) the notice of the SGM to consider and, if thought fit, to approve the Agreement and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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### THE AGREEMENT

**Date:**

22 June 2012

**Parties:**

- (a) Successtime, as the vendor; and
- (b) the Purchaser.

The Purchaser is a company incorporated in the British Virgin Islands with limited liability. It is principally engaged in investment holding and ultimately held by an individual and two private equity funds respectively headquartered in the United States of America and Hong Kong. The Purchaser was introduced to the Directors by a sole agent appointed to run the business engaged by the Park Wealth Group. The senior management of the sole agent is a business acquaintance of one of the shareholders of the Purchaser. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons and are not connected persons of the Company and do not have any current or prior business relationship or business arrangements or transactions with the Company and the Directors apart from the Agreement.

**Assets to be disposed:**

The assets to be disposed of comprise the Sale Shares and the Sale Loan.

The Sale Shares represent the entire issued share capital of Park Wealth as at the date of the Agreement, and shall be sold to the Purchaser free from any encumbrances together with all rights attaching thereto as at the date of Completion.

The Sale Loan represents the shareholder's loan owed by Park Wealth to Successtime as at the date of Completion. As at the Latest Practicable Date, the Sale Loan amounted to approximately HK\$97.8 million.

**Consideration:**

The Consideration (i.e. HK\$78.5 million) shall be payable by the Purchaser in the following manner:

- (a) a deposit in the amount of HK\$10.0 million (the "**Deposit**") shall be payable by the Purchaser to Successtime in cash within three (3) days after the signing of the Agreement. The Deposit has been paid as at the Latest Practicable Date; and
- (b) the balance of the Consideration of HK\$68.5 million shall be payable by the Purchaser to Successtime in cash at Completion.

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## LETTER FROM THE BOARD

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Given that the Park Wealth Group had a net liability position, the Purchaser has requested and Successtime has agreed under the Agreement to provide Park Wealth with HK\$10.0 million upon receipt of the balance of the Consideration at Completion as its additional working capital. Such amount shall not be repayable by Park Wealth.

The Consideration was determined after arm's length negotiations between Successtime and the Purchaser with reference to the amount of shareholder's loan advanced by Successtime to Park Wealth and taking into account factors including (i) the growing demand for air and water purification equipment in the PRC due to the growing concern of diseases arising from air and water pollution; (ii) the existing customer base and business network of the Park Wealth Group covering most of the major cities in the PRC; (iii) the ozone sterilization and filtration technology developed by the Park Wealth Group with registered patents; and (iv) the reputation of the brand "Ozone Comfort" of the Park Wealth Group in the air and water purification industry.

If Completion does not take place due to a default of Successtime, Successtime shall refund the Deposit to the Purchaser without interest and pay an additional sum equivalent to the amount of the Deposit to the Purchaser as liquidated damages. If Completion does not take place as a result of the Purchaser's default, the Deposit shall be forfeited to Successtime.

### **Conditions precedent:**

Completion shall be conditional on the fulfilment or waiver (as the case may be) of the following conditions:

- (a) if applicable, the approval from the Shareholders of the Agreement and the transactions contemplated thereunder having been obtained;
- (b) the respective representations and warranties given by (i) Successtime; and (ii) the Purchaser remaining true, accurate and not misleading; and
- (c) if applicable, all necessary approvals from the relevant regulatory authorities and third party consents in relation to the Agreement and the transactions contemplated thereunder having been obtained.

Successtime is entitled to waive the condition (b)(ii) above and the Purchaser is entitled to waive the condition (b)(i) above. If the above conditions are not fulfilled or waived (as the case may be) by 31 December 2012 (or any other date as agreed by Successtime and the Purchaser), Successtime and the Purchaser shall be entitled to rescind the Agreement, and neither party shall have any liabilities toward the other party under the Agreement except for antecedent breaches. Successtime shall then refund the Deposit to the Purchaser without interest within ten (10) days from the rescission of the Agreement.



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## LETTER FROM THE BOARD

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### **Completion:**

Completion shall take place on the third Business Day (or any other date agreed by Successtime and the Purchaser) after the fulfillment or waiver (as the case may be) of the conditions set out above. Unless the sale and purchase of the Sale Shares and the Sale Loan are completed simultaneously, neither party shall be obliged to complete the sale and purchase of the Sale Shares or the Sale Loan. Completion is expected to take place on or before 30 September 2012.

Upon Completion, the Company will cease to hold any interest in Park Wealth and each member of the Park Wealth Group shall cease to be a subsidiary of the Company.

### **INFORMATION ON THE PARK WEALTH GROUP**

The Park Wealth Group is principally engaged in the leasing of direct drinking water purification machines, the manufacturing and sale of air purification and water purification equipment, and construction and installation of air purification and sewage treatment system in the PRC.

Based on the consolidated financial statements of the Park Wealth Group prepared in accordance with the Hong Kong Financial Reporting Standards as shown in Appendix II to this circular, the loss before and after tax of the Park Wealth Group for the year ended 31 March 2011 amounted to approximately HK\$206.7 million and HK\$200.0 million respectively; and the loss before tax and profit after tax of the Park Wealth Group for the year ended 31 March 2012 amounted to approximately HK\$0.1 million and HK\$1.4 million respectively. The consolidated net liabilities of the Park Wealth Group as at 31 March 2012 amounted to approximately HK\$205.7 million.

In view of the unsatisfactory performance of the Park Wealth Group, the Group has recorded impairment losses in respect of the assets and goodwill relating to the Park Wealth Group in the amount of HK\$45.7 million and HK\$114.4 million in the income statement for the years ended 31 March 2010 and 31 March 2011 respectively.

### **REASONS FOR THE DISPOSAL**

The principal activities of the Group are the leasing of direct drinking water purification machines, the manufacturing and sale of air purification and water purification equipment, construction and installation of air purification and sewage treatment system in the PRC, and investment in exploration and mining business. The Group also completed the investment of 60% equity interest in United in April 2012 and started engaging in the provision of corporate management consultancy services, provision of international economy, technology and environmental protection related data and consultancy services, system management and maintenance, information technology support and management, human resources services, software development, data processing and process outsourcing in the PRC. Details of the investment in United are set out in the announcement of the Company dated 13 March 2012.

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## LETTER FROM THE BOARD

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According to the annual report of the Company published on 21 June 2012, the loss from the continuing operations reduced significantly from approximately HK\$220.6 million to approximately HK\$11.2 million for the year ended 31 March 2012. Despite a significant improvement in the results of the direct drinking water business and air and water purification equipment business since the Park Wealth Group appointed a sole agent to run the business in January 2011, the Directors expected that the business of the Park Wealth Group would require significant working capital to expand the production scale and undertake marketing activities in order to generate a meaningful return. In addition, the Directors consider that the industry of corporate management consultancy service in the PRC is of greater potential and better prospect due to the booming economy and growing demand for consultancy services from enterprises in the PRC. As such, the Group invested in a consultancy firm in the PRC (i.e. United) by cash injection in April 2012 so as to capitalise on its existing infrastructure and business network that has been developed since 2008 and tap into the consultancy service industry in the PRC. In view of the intention to shift the business focus from the existing operation to a more lucrative business, the Directors consider that it is an opportune time to dispose of the Park Wealth Group at an attractive consideration with a considerable gain and thus allow the Group to have more flexibility for further investment in the consultancy service industry or for any other potential investment that would help diversify the business scope and expand the income source of the Group.

The Group intends to apply the proceeds from the Disposal (net of expenses) of approximately HK\$67.1 million as follows:

- (a) as to approximately HK\$12.0 million for recruiting additional staff with relevant experience and expertise during the period from 1 July 2012 to 31 December 2013 to extend the scope of consultancy services provided by United as described in the paragraph headed “Financial and Trading Prospects of the Remaining Group” below;
- (b) as to approximately HK\$6.3 million for investing in the hardware (e.g. supercomputers used as servers) for the establishment of an e-commerce platform for the clients of United;
- (c) as to approximately HK\$3.7 million for purchasing applicable software for the e-commerce platform to be developed by United; and
- (d) as to the balance used as general working capital of the Remaining Group.

The Directors consider that the terms of the Agreement are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

### **FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP**

#### *Consultancy Services*

Upon Completion, the Remaining Group shall be engaged in the provision of corporate management consultancy services, provision of international economy, technology and environmental protection related data and consultancy services, system management and

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## LETTER FROM THE BOARD

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maintenance, information technology support and management, human resources services, software development, data processing and process outsourcing in the PRC through United. United is also engaged in the wholesale of textile, clothing, daily consumables, culture, sports goods, handicrafts, construction materials, machines and equipment, hardware and electrical appliances and electronic products. The principal business segments of United are further described below:

**(a) Provision of consultancy services**

The existing consultancy services provided by United to its clients include a comprehensive scope of assessment for its client's business on internal control system, operating strategy, budgeting, personnel retention and training, information technology support, cost control, administrative functions and logistics system. United also conducts market research and analysis and develops applicable management software for its clients.

**(b) Trading of goods**

With the introduction through one of the existing clients principally engaged in property development, United entered into a contract with a state-owned enterprise principally engaged in property and highway construction in the PRC in the second half of 2012 to source construction materials for its property development projects. Along with the completion of the property project of the client, United may further enter into a contract therewith to source branded products for the shopping outlet being developed by the client at the site. As at the Latest Practicable Date, United had sourced approximately RMB7.0 million of construction materials for the state-owned enterprise. Save for the contract mentioned above, United has not entered into any other contracts relating to the trading of goods.

**(c) Construction, operation and maintenance of websites and/or e-commerce platforms**

United also extended its business scope to the construction, operation and maintenance of website and e-commerce platforms for its clients with a view to promoting the clients' upcoming projects and establishing an online shopping platform of the clients' products.

United currently has a total of five projects on the provision of consultancy services in relation to corporate internal control assessment, assessment on investment projects and restructuring of corporate structure to the following entities: (i) the Company for a period of three years until 31 October 2014 with an annual consultancy fee of RMB1.0 million (equivalent to approximately HK\$1.2 million); (ii) a company listed on the Main Board of the Stock Exchange for a period of six years until 13 October 2014 with an annual consultancy fee of RMB1.0 million (equivalent to approximately HK\$1.2 million) and options to subscribe for 60.0 million shares of the client; (iii) another company listed on the Main Board of the Stock

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## LETTER FROM THE BOARD

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Exchange for a period of three years until 31 October 2014 with an annual consultancy fee of RMB1.0 million (equivalent to approximately HK\$1.2 million); (iv) a company located in Harbin for a period of three years until 31 December 2014 with an annual consultancy fee of RMB2.0 million (equivalent to approximately HK\$2.4 million); and (v) a company based in Shanghai for a period of one year until 31 December 2012 with an annual consultancy fee of RMB2.0 million (equivalent to approximately HK\$2.4 million).

In view of the existing project pipeline that United possesses, it is the intention of the Group to expand the consultancy business by recruiting additional staff during the period from 1 July 2012 to 31 December 2013 and expand its services to include brand enhancement services, brand assessment, positioning and competition analysis, marketing strategy, and advertisement feedback and efficiency assessment, and to assist the clients in establishing and operating an e-commerce platform for gathering customers and suppliers, arranging products delivery logistics, facilitating inventory control and other ancillary e-commerce functions. However, as additional time is required for the existing clients of United to agree upon the design proposal of the website and e-commerce platform, United has delayed its recruitment plan and thus has not recruited any additional staff in July and August 2012 as originally scheduled. As at the Latest Practicable Date, there were a total of 20 staff employed by United with different specialisation and expertise.

On 16 August 2012, United entered into a contract with a new client principally engaged in trading of red wine in the PRC in respect of the establishment of e-commerce platform for its trading business, market research on red wine market, operation and maintenance of the e-commerce platform to be established for a period of six years from the date of the agreement to 15 August 2018. Under this agreement, United shall be entitled to 18% of the profit generated by the client from this project for its provision of the services. In view of this new contract, United will forthwith commence its recruitment plan.

### *Investment in the Mine*

In addition to the investment in United, the Remaining Group also holds a 30% beneficial interest in a company holding an exploration license and a mining license for the Mine. It is expected that commercial production of the Mine will commence in the second half of 2014 and the estimated total capital contribution for the Mine by the Remaining Group before commercial production will amount to approximately US\$27.0 million (equivalent to approximately HK\$210.6 million) during the period from 1 July 2012 to 31 December 2013 according to the following plan:

- (a) to revise the feasibility study after coordinating and communicating with exploration design house and Kyrgyzstan Geoscientific Department in June 2012 due to the expected increase in the capacity of the Mine operations for submitting to the government of Kyrgyzstan for approval. It is expected that the feasibility study will be ready for submission by the third quarter of 2012; and
- (b) based on the original feasibility study and the expected increase in capacity, it is estimated that approximately US\$90 million will be required to commence the Mine

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## LETTER FROM THE BOARD

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construction and preparation work including (i) the design of the exploration plan for the Mine in October 2012 which is estimated to be finalised by 30 June 2013; (ii) construction of the infrastructure for the exploration of the Mine from 1 July 2013, subject to the progress of the finalisation of the feasibility report and the exploration plan; (iii) construction of the temporary facilities for the Mine; (iv) establishment of the electricity supply circuit for the Mine which is estimated to be completed by the end of 2013; (v) geological exploration work permitted under the exploration licence which is estimated to finish by the end of August 2012; and (vi) oxide minerals sampling and dressing experiments for the Mine which are estimated to finish by the end of September 2012 and December 2012 respectively. Subject to the approval of the feasibility study, the Company estimated that the capital will be required to be injected by stages starting from late 2012 or early 2013.

As at the Latest Practicable Date, the geological exploration work permitted under the exploration licence had not yet commenced as the revised feasibility report has not yet been finalized. As at the Latest Practicable Date, the Mine Disposal had been completed, and the Company had received the consideration for the Mine Disposal in the amount of US\$18.0 million (equivalent to approximately HK\$140.4 million). The remaining consideration of US\$3.0 million (equivalent to approximately HK\$23.4 million) is currently held in a bank account jointly operated by the purchaser and the vendor and is expected to be released, after deducting certain debts and liabilities, in September 2012 according to the agreement in connection with the Mine Disposal. The Remaining Group intends to fund part of the development work of the Mine with the proceeds from the Mine Disposal subject to the approval of the feasibility study by the relevant local authorities in Kyrgyzstan and the progress of exploration works of the Mine. Details of the Mine Disposal are set out in the announcement of the Company dated 6 January 2012 and the circular of the Company dated 1 February 2012.

At present, there is no agreement, arrangement, understanding, intention, negotiation (concluded or otherwise) about any disposal, termination or scaling down of the business of the Remaining Group and the Company currently has no arrangement or understanding to change the members of the Board. In addition, the Board has from time to time been reviewing and engaging in preliminary negotiations with potential acquisition targets which include, among others, companies engaging in mining and resources business with a view to identifying suitable investment opportunities for the Group. As at the Latest Practicable Date, there was no agreement, arrangement or understanding about any acquisition or injection of assets by the Company.

**Under Rule 14.82 of the Listing Rules, if the assets of a listed issuer consist wholly or substantially of cash or short-dated securities, it will not be regarded as suitable for listing and trading in its securities will be suspended. If the assets of the Company consist substantially of cash or short-dated securities after Completion, it may become a cash company under Rule 14.82 of the Listing Rules. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

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## LETTER FROM THE BOARD

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### RISKS RELATING TO THE REMAINING GROUP

#### Risks relating to the consultancy services

##### *Limited client base*

The client base of United is limited with less than ten clients as at the Latest Practicable Date. There is no assurance that all these clients will continue to retain United as their business consultant. The growth and profitability of United may be adversely affected in the event that United cannot maintain the business relationship with its clients or fail to obtain mandates from other clients (whether existing or new) with comparable project scale.

##### *Reliance on key management*

United's business is largely dependent on its key personnel. In particular, Ms. Lin Fen, the general manager of United, who possesses 7 years of experience in financial management and tax planning; Mr. Zhang Hang, the deputy general manager of United, who has worked in a large-sized listed company for 7 years and possesses substantial experience in project evaluation, internal control management and marketing and sales particularly in the information technology industry; and Mr. Zhou Gang, the deputy general manager of United, who possesses 8 years and 3 years of financial management experience in Yum! China and B&Q China respectively, are all essential for United in building its customer relationship, generating business and tailor-making business solution and development plan for the clients.

United's daily operation depends upon the performance of its senior management staff and key personnel. In the event that it cannot retain any of its key personnel, in particular the senior management as aforementioned and fails to attract suitable and competent replacements, United's business and prospects could be materially and adversely affected.

##### *Unpredictability of revenue and profitability*

United's revenue and income are primarily generated from mandates on a contract-by-contract basis and the service fee is subject to the scope of services rendered. The terms and conditions including payment schedule of each mandate are negotiated and determined case by case. Accordingly, there is no assurance that the existing clients of United will demand for United's services on a recurrent and/or regular basis. In addition, there is no assurance that United will be able to enter into or secure any mandate that generates similar amount of revenue for United as in the previous years. The revenue of United also depends on a number of factors, such as changes in general macroeconomic environment that may impact on the number and size of the mandates that could be contracted by United. United's past operating results are not indicative of its future performance.

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## LETTER FROM THE BOARD

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### *No assurance that future business plans will materialize*

The future development plans of United relating to the consultancy services are based on the existing intention of United, the economic environment of the PRC and certain other assumptions which may or may not materialise. The implementation of the business plan of United may deviate from the planned time frame and the objectives of United may not be fully accomplished. The business plan may also deviate materially in terms of its scope, its objective, or the relevant capital commitment. In the event that United fails to accomplish the business plan or reduce the scope and scale thereof, United's operating results may be adversely affected.

### *Lack of insurance coverage*

As a business and management consultancy firm, it is in United's ordinary course of business to provide advice to its clients. In the event that a client relies on the advice provided by United and suffers from a loss as a result of United having been negligent in providing such advice, the client may claim against United. Since its establishment, United has not been subject to nor received any claims resulting from the services provided to its client. United currently does not have any insurance to cover claims relating to negligence or employee infidelity. However, if there is any claim against United for negligence or employee infidelity, United may have to commit a significant amount of resources to handle such legal proceedings or subject to substantial damages and compensation, which could adversely affect United's performance and financial position.

### *Macroeconomic considerations*

As all United's earnings are generated from the provision of business advisory services in the PRC, its businesses and results of operations will be directly correlated to the overall performance of the economy of the PRC, which may, in turn be affected by many unpredictable factors including, among others, local and international economic and political conditions, general market sentiment, changes in regulatory environment and fluctuations in interest rates.

### *Competition*

The entry barrier to the business advisory services is low as no substantial capital investment is required. United has to face keen competition from other professional firms and consulting firms which may have greater name recognition in the market, with more human and financial resources, and a longer operating history than that of United. Any intensified competition may result in price reduction, which may erode United's market share and have an adverse impact on United's operating performance and profitability.

### *Changes and uncertainties in the regulatory environment*

The PRC legal system is based on written statutes, and prior court decisions can only be cited as reference and are non-binding. Since 1979, the PRC government has established a commercial law system, and significant progress has been made in promulgating laws and



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## LETTER FROM THE BOARD

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regulations relating to economic affairs and matters such as corporate organization and governance, foreign investment, commerce, taxation and trade. However, many of these laws and regulations remain uncertain in many areas. Consequently, developments and changes in the PRC laws and regulations, including their interpretation and enforcement, may lead to additional restrictions and uncertainty for the Remaining Group's business and uncertainty with respect to the outcome of any legal action against the Remaining Group.

### **Risks relating to the mining business**

#### *Significant and continuous capital investment*

The mining business requires significant and continuous capital investment. The major exploration work, establishment of infrastructure, exploration and exploitation projects may not be completed as planned, may exceed the original budgets and may not achieve the intended economic results or commercial viability. Actual capital expenditures for the mining business may significantly exceed the Company's budgets because of various factors beyond the Company's control, which in turn may affect the Company's financial condition.

#### *Minority control of the Mine*

As the Company is only a minority owner holding 30% interest in the Mine, there is no assurance that the exploration and production plan of the Mine will be carried out in a way and with a pace as determined or expected by the Company.

#### *Price fluctuations of gold*

There are many factors influencing the price of gold in the international market, including the international economic situation (in particular the economic situation in the United States of America), petroleum prices, fluctuations in the exchange rates of the US dollar, fluctuations in the stock and other financial investment markets and various political, military, social and economic contingencies. These factors are beyond the control of the Group and may adversely affect the results of the Mine.

#### *Uncertainty in the results of exploration for resources*

Resources and reserves are non-renewable and the exploration of new and potential resources is crucial to a mining enterprise. Exploration of mineral resources is speculative in nature, so substantial expenses may be incurred from initial drilling to production. There is also no assurance that exploration can lead to the discovery of economically feasible reserves. If the Group fails to replenish its mineral resource levels in existing or new mining areas, the Group may not be able to maintain the current gold production level after the remaining usable life of the existing mining areas.



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## LETTER FROM THE BOARD

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### *Changes in regulatory environment*

The mining business is subject to change in governmental regulations, policies, control and tax rates applicable to the mining industry in Kyrgyzstan. There can be no assurance that the relevant government will not change such laws and regulations or impose additional or more stringent laws or regulations. Failure to comply with the relevant laws and regulations may adversely affect the development or operation of the Mine.

### *Natural disasters or operational catastrophes*

There are inherent risks associated with the exploration for and production of the Mine. Natural disasters, operator errors or other occurrences can result in fires, equipment failure and floods which can injure or kill people, damage or destroy production facilities, and subject the Remaining Group to extensive liability. The operational risks may not be fully covered by the insurance policies of the Remaining Group.

### *Country risk*

The Mine is located in Kyrgyzstan and thus is subject to its specific risks including, but not limited to, local currency devaluation, introduction of value-added tax or other unfavourable policies. The occurrence of any of these factors could have a material adverse effect on the mining business, its prospects, financial condition and results of operations. Furthermore, political instability, civil unrest or violence in the region could affect the political or economic stability of Kyrgyzstan, and could have a material adverse effect on the mining business, its prospects, financial condition and results of operations.

## **FINANCIAL EFFECTS OF THE DISPOSAL**

Based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to this circular, the financial effects of the Disposal on the Group are summarized as follows:

- (1) The Group's total assets would increase by approximately 28.4% from approximately HK\$181.7 million to HK\$233.4 million, and the Group's total liabilities would decrease by approximately 97.6% from approximately HK\$127.8 million to approximately HK\$3.1 million upon Completion; and
- (2) The Group's performance for the year ended 31 March 2012 would improve from a loss of approximately HK\$11.2 million to a profit of approximately HK\$139.7 million, which is mainly attributable to (i) the inclusion of estimated gain of approximately HK\$152.3 million arising from the Disposal, after deducting expenses incidental to the Disposal; and (ii) the exclusion of an insignificant profit of the Park Wealth Group for the year ended 31 March 2012 of approximately HK\$1.4 million upon Completion.

The actual gain or loss from the Disposal shall be determined based on the net asset value of the Park Wealth Group as at the date of Completion which may be different from the above.

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## LETTER FROM THE BOARD

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### LISTING RULES IMPLICATIONS

The Disposal constitutes a very substantial disposal for the Company under the Listing Rules and is therefore subject to the approval of the Shareholders at the SGM by way of poll. As no Shareholder has a material interest in the Disposal different from other Shareholders, no Shareholder is required to abstain from voting on the ordinary resolution to be proposed at the SGM to approve the Agreement and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its associates did not hold any Shares as at the date of the Agreement.

### SPECIAL GENERAL MEETING

The SGM will be convened at Unit 2302, 23rd Floor, China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong at 10:30 a.m. or immediately after the Company's annual general meeting for the financial year ended 31 March 2012 to be held at 10:00 a.m., whichever is later, on Friday, 21 September 2012, for the Shareholders to consider and, if thought fit, to approve the Agreement and the transactions contemplated thereunder. A notice of the SGM is set out on pages SGM-1 to SGM-2 of this circular. Voting at the SGM on the resolution will be taken by poll.

A form of proxy for use by the Shareholders at the SGM is enclosed herewith. Whether or not you are able to attend the SGM in person, you are advised to read the notice and complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's principal place of business located at Unit 2302, 23rd Floor, China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM (or any adjournment thereof) should you so wish.

### RECOMMENDATION

The Directors consider that the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Shareholders are concerned and the Disposal is in the interests of the Company and the Shareholders as a whole. The Directors accordingly recommend all Shareholders to vote in favour of the ordinary resolution as set out in the notice of the SGM to approve the Agreement and the transactions contemplated thereunder at the SGM.

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,  
By Order of the Board  
**Chaoyue Group Limited**  
**Yuen Leong**  
*Executive Director*

**1. FINANCIAL SUMMARY**

The audited consolidated financial statements of the Group for the years ended 31 March 2010, 2011 and 2012 are disclosed in the annual reports of the Company for the years ended 31 March, 2010, 2011 and 2012 respectively, all of which have been published on the websites of the Stock Exchange (<http://www.hkex.com.hk>) and the Company (<http://www.chaoyuehk.com>).

**2. WORKING CAPITAL**

The Directors are of the opinion that, after taking into account its present available financial resources, including funds internally generated from operation, the existing financial facilities and the proceeds from the Disposal, the Remaining Group will have sufficient working capital for its business for the next twelve months from the date of this circular in the absence of unforeseen circumstances.

**3. INDEBTEDNESS STATEMENT**

At the close of business on 31 July 2012, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had amount due to a director of a subsidiary and borrowings from an independent third party, which are unsecured, amounting to approximately HK\$22,561,000 (at amortised cost with effective interest rate of 6.55% per annum) and HK\$16,747,000 respectively.

Save as disclosed above, and apart from intra-group liabilities, as at the close of business on 31 July 2012, the Group did not have any debt securities, any other outstanding loan capital, any other borrowings or indebtedness in the nature of borrowings including bank overdrafts and any liabilities under acceptances (other than normal trade bills) or other similar indebtedness, acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material contingent liabilities.

To the best understanding and knowledge of the Directors, the Directors confirm that there have been no material changes to the indebtedness position since 31 July 2012 up to the Latest Practicable Date.

**4. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2012, being the date to which the latest published audited financial statements of the Group were made up.

**5. MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS AND OPERATIONS OF THE REMAINING GROUP****(a) For the year ended 31 March 2012***Overall financial results*

The Remaining Group did not record any revenue for the year ended 31 March 2012 but a loss attributable to the owner of the Company of approximately HK\$45.4 million, which was mainly attributable to the administration expenses incurred in the daily operation of the Remaining Group.

*Segment information**Mining*

On 6 January 2012, the Group (as vendor) and China National Gold Group Corporation (as purchaser) entered into an agreement in relation to the Mine Disposal for a total consideration of US\$21.0 million (equivalent to approximately HK\$163.4 million). Accordingly, the financial results related to the Mine was classified and disclosed as discontinued operation. As mining work has yet to commence, there is no contribution to turnover and gross profit from the Mine in Kyrgyzstan for the year. The loss incurred from the discontinued operation for the year was HK\$32.7 million (2011: HK\$24.1 million).

*Financial position and liquidity*

As at 31 March 2012, the total assets and liabilities of the Remaining Group stood at HK\$233.3 million and HK\$3.1 million respectively. Non-current assets amounted to approximately HK\$21,000 which comprised mainly furniture and office equipment. Current assets amounted to HK\$233.3 million which comprised mainly deposits, prepayment and other receivables, bank balance and cash, and assets classified as held for sale. Total bank balance and cash amounted to HK\$103.2 million and most of which were in US dollars and Hong Kong dollars. Current liabilities amounted to HK\$3.1 million which comprised mainly accruals and other payables, and liabilities associated with assets classified as held for sale. The net current assets as at 31 March 2012 was HK\$230.3 million. There was no long-term loan and borrowing and the gearing ratio as at 31 March 2012 was zero.

*Charge on assets*

As at 31 March 2012, the Remaining Group did not create any charge on its assets.

*Material acquisitions, disposals, significant investments**Acquisition of new business*

On 13 March 2012, the Remaining Group entered into an agreement to invest in 60% of the increased registered capital of United by making a cash injection of RMB7.5 million.

United is a wholly foreign-owned enterprise established in the PRC in 2008 and is principally engaged in the provision of corporate management consulting services, provision of international economy, technology and environmental protection related data and consultancy services, system management and maintenance, information technology support and management, human resources services, software development, data processing and process outsourcing. United is also engaged in the wholesale of textile, clothing, daily consumables, cultural and sports products, handicrafts, construction materials, machines and equipments, hardware and electrical appliances and electronic products.

The Remaining Group recognises that United possesses teams of outstanding professionals in investment evaluation, enterprise management and business information analysis which are able to provide the Remaining Group with quality services such as project identification, assessment, and business information analysis on potential investments in a wide range of industries. United also has the competence and experience to provide project management and management enhancement services to the Remaining Group's investment projects in the PRC and will help enhance their operational efficiency and competitiveness.

Apart from the provision of general management consultancy services, United has been engaged by two large-scale commercial property developers in the PRC to provide them with services on investment planning, commercial management and sourcing of branded products. In addition, United has the channels and qualifications to engage in the promotion and sale of international and domestic branded products in the PRC.

Subsequent to 31 March 2012, the required capital was properly injected and verified and United became a 60% subsidiary of the Group accordingly.

*Disposal*

On 6 January 2012, the Group (as vendor) and China National Gold Group Corporation (as purchaser) entered into an agreement in relation to the Mine Disposal for a total consideration of US\$21.0 million (equivalent to approximately HK\$163.4 million), which was subsequently completed in June 2012.

*Capital structure*

During the year, there was no change in the Remaining Group's capital structure. The Remaining Group generally financed its investment activities with fund from internal resources. No financial instrument was used for hedging purposes.

*Contingent liabilities*

The Remaining Group had no contingent liability as at 31 March 2012.

*Capital commitments*

As at 31 March 2012, the Remaining Group had a capital commitment of RMB7.5 million in respect of the acquisitions of equity interest in United. As the feasibility report of the Mine has not yet been approved by the relevant government authorities, there was no capital commitment on the Mine. Save for the aforesaid, the Remaining Group did not have any significant capital commitment.

*Foreign exchange exposure*

As part of the Remaining Group's assets and liabilities are denominated in US dollars and Hong Kong dollars, in order to minimize the foreign exchange risk, the Remaining Group aims to utilize the fund for transactions that are denominated in the same currency.

*Employees remuneration policy*

As at 31 March 2012, the Remaining Group had 10 and 12 employees in Hong Kong and Kyrgyzstan respectively. The employees' salaries are reviewed and adjusted annually based on their performance and experience. The Remaining Group's employee benefits include performance bonus, medical scheme, mandatory provident fund for Hong Kong employees, and education subsidy to encourage continuous professional development of staff. The Remaining Group also has a discretionary share option scheme which is designed to award employees for their performance. No share option was granted during the year and there were 66,000,000 share options granted to the directors and employees of the Group as at 31 March 2012.

*Future plan and prospects*

The introduction of China National Gold Group Corporation as the major owner of the Mine offers a prime opportunity for the Group to realize a considerable gain from the Group's investment in the Mine. With their expertise and relevant industry experience to take the lead in the exploration work at the Mine as well as the financing for the exploration of the Mine, the Directors believe that the remaining 30% interest in the Mine will generate lucrative return in near future.

It has been the Group's strategy to seek for investments from time to time with a view to diversifying its business scope and widening its revenue base. In view of the booming economy in the PRC, the Directors consider that the demand for consultancy services from enterprises or investors who are keen to enhance their

competitiveness and improve their efficiency will increase. The investment in United let the Group tap into the consultancy services industry by capitalising on the existing infrastructure that United has developed since 2008. The Directors believe that the capital injection in United would help United to expand its business by recruiting additional professionals and that United would contribute positively to the performance of the Group immediately.

The management will continue to seek potential investment opportunities with the help of the professional team of United to diversify the business scope and expand the income source of the Group to enhance the profitability and maximize the value of the Group in order to reward the shareholders for their long term and strong support.

**(b) For the year ended 31 March 2011**

*Overall financial results*

The Remaining Group did not record any revenue for the year ended 31 March 2011 but a loss attributable to the owner of the Company of approximately HK\$36.3 million, which was mainly attributable to the administration expenses incurred in the daily operation of the Remaining Group.

*Segment information*

*Mining*

Exploration works were conducted according to requirements of the licenses, and feasibility study report had been submitted to relevant government authorities for approval. In this financial year, no turnover was recorded but a segment loss of HK\$24.1 million (2010: HK\$4.1 million) was incurred. The loss was mainly attributable to amortization of mining license of HK\$12.6 million (2010: HK\$4.5 million) and the costs incurred for the exploration works, consultancy and advisory works, staff cost and administrative expenses.

*Financial position and liquidity*

As at 31 March 2011, the total assets and liabilities of the Remaining Group stood at HK\$260.1 million and HK\$3.9 million respectively. Non-current assets amounted to HK\$131.8 million which comprised mainly intangible asset (ie. the mining license) and furniture and office equipment. Current assets amounted to HK\$128.3 million which comprised mainly deposits, prepayment and other receivables and bank balance and cash. Total bank balance and cash amounted to HK\$126.3 million and most of which were in US dollars and Hong Kong dollars. Current liabilities amounted to HK\$3.9 million which comprised mainly accruals and other payables. The net current assets as at 31 March 2011 was HK\$124.3 million. There was no long-term loan and borrowing and the gearing ratio as at 31 March 2011 was zero.

*Charge on assets*

As at 31 March 2011, the Remaining Group did not create any charge on assets.

*Material acquisitions, disposals, significant investments and future plans for material investments*

The Remaining Group had no material acquisition, disposal, significant investment and future plans for material investments during the year ended 31 March 2011.

*Capital structure*

During the year, there was no change in the Remaining Group's capital structure. The Remaining Group generally financed its investment activities with fund from internal resources. No financial instrument was used for hedging purposes.

*Contingent liabilities and capital commitments*

The Remaining Group had no contingent liability or capital commitment as at 31 March 2011.

*Foreign exchange exposure*

As part of the Remaining Group's assets and liabilities are denominated in US dollars and Hong Kong dollars, in order to minimize the foreign exchange risk, the Remaining Group aims to utilize the fund for transactions that are denominated in the same currency.

*Employees remuneration policy*

As at 31 March 2011, the Remaining Group had 10 and 12 employees in Hong Kong and Kyrgyzstan respectively. The employees' salaries are reviewed and adjusted annually based on their performance and experience. The Remaining Group's employee benefits include performance bonus, medical scheme, mandatory provident fund for Hong Kong employees, and education subsidy to encourage continuous professional development of staff. The Remaining Group also has a discretionary share option scheme which is designed to award employees for their performance. No share option was granted during the year and there were 66,000,000 share options granted to the directors and employees of the Group as at 31 March 2011.



*Future plan and prospects*

Exploration work will continue to be carried out to search for and locate additional resources for the Mine. Construction of the infrastructure around the Mine is planned to be carried out in near term and the coming years are the investing phase of this project. In view of the continuing high demand for precious metals and the increasing trend of the gold price over the past years, the Directors expect that the investment in the Mine will bring a wealthy return to the Group in the future.

The management will continue to seek potential investment opportunities to diversify the business scope and expand the income source of the Group to enhance the profitability and maximize the value of the Group in order to reward the shareholders for their long term and strong support.

**(c) For the year ended 31 March 2010***Overall financial results*

The Remaining Group did not record any revenue for the year ended 31 March 2010 but a loss attributable to the owner of the Company of approximately HK\$7,080.0 million, which was mainly attributable to the administration expenses amounting to HK\$26.8 million incurred in the daily operation of the Remaining Group and change in fair value of derivative financial instruments and derivative warrant liabilities amounting to HK\$7,051.7 million arising from the zero coupon convertible bonds in an aggregate amount of HK\$124.5 million issued by the Company to the substantial shareholder of the Company, namely Long Grand Limited, and HK\$60.0 million to other subscribers on 24 December 2007 and the warrants issued upon conversion of the convertible bonds.

*Segment information**Mining*

The Group has acquired the Mine in Kyrgyzstan in this financial year. The estimated mineral resources are approximately 97 tones of gold and approximately 1 million tones of copper. The exploration license and mining license had been issued by the relevant authorities of Kyrgyzstan Government but mining work had yet to commence and no turnover was recorded. This segment incurred a loss of HK\$4.1 million in this financial year which mainly represented the amortization of the mining right.

*Garment*

The Remaining Group had encountered challenges in getting orders from customers for its garment business which had ceased to generate meaningful return to the Remaining Group as a result of the economic downturn since the second half

of year 2008. The Company decided to discontinue the garment business in August 2009. There was no turnover or gross profit generated from garment business during the year, and it recorded a loss of HK\$87,000 in this year.

#### *Financial position and liquidity*

As at 31 March 2010, the total assets and liabilities of the Remaining Group stood at HK\$296.7 million and HK\$5.3 million respectively. Non-current assets amounted to HK\$147.0 million which comprised mainly the intangible asset (ie. the mining license) in respect of the Mine and furniture and office equipment. Current assets amounted to HK\$149.7 million which comprised mainly deposits, prepayment and other receivables and bank balance and cash. Total bank balance and cash amounted to HK\$147.8 million and most of which were in US dollars and Hong Kong dollars. Current liabilities amounted to HK\$5.3 million which comprised mainly accruals and other payables. The net current assets as at 31 March 2010 was HK\$144.4 million. There was no long-term loan and borrowing and the gearing ratio as at 31 March 2010 was zero.

#### *Charge on assets*

As at 31 March 2010, the Remaining Group did not create any charge on assets.

#### *Material acquisitions, disposals and significant investments*

##### *Acquisition of the Mine*

On 29 September 2009, the Group entered into an agreement to acquire 90% of the issued share capital of Eagle Mountain Holdings Limited (“Eagle Mountain”), which is the 100% beneficial owner of a company which holds the mining right of the Mine, for a consideration of US\$20,000,000 (equivalent to approximately HK\$156,000,000), of which US\$12,000,000 (equivalent to approximately HK\$93,600,000) shall be satisfied by the allotment and issue of shares of the Company at an issue price of HK\$1.28 per share, and of which US\$8,000,000 (equivalent to approximately HK\$62,400,000) shall be satisfied by the payment of cash. The Group successfully completed the said acquisition on 20 November 2009 and 73,125,000 Shares were allotted and issued, and US\$8,000,000 cash was paid according to the agreement.

##### *Acquisition of a platinum mine*

On 15 September 2009, the Remaining Group entered into an agreement to acquire not less than 51% and not more than 60% attributable interest in Blue Ridge Platinum (Proprietary) Limited who is the sole legal and beneficial owner of a PGE (4E) mine at the Republic of South Africa. Since the condition precedents to complete the acquisition could not be satisfied, a deed of termination and release was entered with the vendor on 30 April 2010 to terminate the acquisition agreement and to release each other from their respective rights and obligations under the terms of the deed.

*Disposal*

There was no material disposal of subsidiaries during the year.

*Capital structure*

During the year, all convertible bonds had been converted to ordinary shares and all warrants issued as a result of the conversion of the convertible bonds had been exercised.

The Remaining Group generally financed its investment activities with fund from internal resources. No financial instrument was used for hedging purposes.

*Contingent liabilities and capital commitments*

The Remaining Group had no contingent liability or capital commitment as at 31 March 2010.

*Foreign exchange exposure*

As the Remaining Group's assets and liabilities are denominated in US dollars and Hong Kong dollars, in order to minimize the foreign exchange risk, the Group aims to utilize the fund for transactions that are denominated in the same currency.

*Employees remuneration policy*

As at 31 March 2010, the Remaining Group had 11 and 12 employees in Hong Kong and Kyrgyzstan respectively. The employees' salaries are reviewed and adjusted annually based on their performance and experience. The Remaining Group's employee benefits include performance bonus, medical scheme, mandatory provident fund for Hong Kong employees, and education subsidy to encourage continuous professional development of staff. The Remaining Group also has a discretionary share option scheme which is designed to award employees for their performance. As at 31 March 2010, there were 66,000,000 share options granted to the directors and employees of the Group.

*Future plan and prospects*

The management continues our mission to diversify the business scope and expand the income source of the Remaining Group by seeking for new business opportunities.

In view of the increase in demand of natural resources and the increase in the prices of precious metals over the past years, the Directors had reviewed various projects related to natural resources in the year and an agreement to acquire a platinum mine in South Africa was entered. For our investment in the Mine, although there was an outbreak of the political revolution in Kyrgyzstan recently, it does not affect the mining rights. Given the continuous rising trend of gold price, management believes the investment in the Mine can bring good return to the Shareholders in the future.

In the year, all convertible bonds issued by the Company had been converted to ordinary shares and all warrants issued as a result of conversion of the convertible bonds had been fully exercised by all warrant holders. This showed that the substantial Shareholder and other bondholders have great confidence in the future development of the Company.

The management are dedicated to secure high growth potential projects for the Group. We are committed to utilize the resources to maximize the profitability of the Group and generate satisfactory return to the Shareholders.

Set out below are the unaudited consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Park Wealth Group for the three years ended 31 March 2010, 2011 and 2012 (the “Relevant Periods”) and the unaudited consolidated statements of financial position of the Park Wealth Group as at 31 March 2010, 2011 and 2012 and certain explanatory notes, which have been reviewed by the independent auditor of the Company, Deloitte Touche Tohmatsu, in accordance with the Hong Kong Standard on Review Engagements 2400, “Engagements to Review Financial Statements” issued by the Hong Kong Institute of Certified Public Accountants. Based on their review, nothing has come to their attention that causes them to believe that the unaudited financial information of the Park Wealth Group is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2 to the unaudited consolidated financial information of the Park Wealth Group.

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**APPENDIX II FINANCIAL INFORMATION OF THE PARK WEALTH GROUP**

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**UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
FOR EACH OF THE THREE YEARS ENDED 31 MARCH 2012

	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	107,700	24,498	23,101
Cost of sales	<u>(55,996)</u>	<u>(45,425)</u>	<u>(7,486)</u>
Gross profit (loss)	51,704	(20,927)	15,615
Other income, gains and losses	13,894	7,421	2,280
Distribution and selling expenses	(19,942)	(12,942)	(3,261)
Administrative and other expenses	(39,923)	(71,641)	(12,228)
Finance costs	(1,090)	(1,114)	(2,541)
Impairment loss on property, plant and equipment	–	(63,753)	–
Impairment loss on intangible assets	(45,694)	(23,516)	–
Impairment loss on goodwill	<u>–</u>	<u>(20,273)</u>	<u>–</u>
Loss before taxation	(41,051)	(206,745)	(135)
Income tax credit	<u>13,133</u>	<u>6,696</u>	<u>1,570</u>
(Loss) profit for the year	<u>(27,918)</u>	<u>(200,049)</u>	<u>1,435</u>
Other comprehensive expense for the year			
Exchange difference arising on translation	<u>(7)</u>	<u>(1,889)</u>	<u>(6,059)</u>
Total comprehensive expense for the year	<u>(27,925)</u>	<u>(201,938)</u>	<u>(4,624)</u>

**APPENDIX II FINANCIAL INFORMATION OF THE PARK WEALTH GROUP**

**UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

AT 31 MARCH 2010, 2011 AND 2012

	<b>2010</b> <i>HK\$'000</i>	<b>2011</b> <i>HK\$'000</i>	<b>2012</b> <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	95,339	16,236	13,064
Other intangible assets	27,000	–	–
Long term receivables	27,680	–	–
Goodwill	20,273	–	–
	<u>170,292</u>	<u>16,236</u>	<u>13,064</u>
<b>CURRENT ASSETS</b>			
Inventories	1,948	1,147	–
Trade and other receivables	49,451	8,393	600
Amounts due from customers for contract works	11,296	1,556	–
Bank balances and cash	4,282	23,638	3,174
	<u>66,977</u>	<u>34,734</u>	<u>3,774</u>
<b>CURRENT LIABILITIES</b>			
Amounts due to customer for contract work	2,249	923	910
Trade and other payables	37,544	58,486	53,336
Amount due to a director of a subsidiary	23,464	–	–
Amount due to immediate holding company	118,270	117,275	97,826
Tax payable	2,769	2,508	1,008
Borrowings	13,005	–	–
Warranty provision	1,281	1,428	1,575
Deferred income	7,238	9,304	10,326
	<u>205,820</u>	<u>189,924</u>	<u>164,981</u>
<b>NET CURRENT LIABILITIES</b>	<u>(138,843)</u>	<u>(155,190)</u>	<u>(161,207)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>31,449</u>	<u>(138,954)</u>	<u>(148,143)</u>
<b>NON-CURRENT LIABILITIES</b>			
Amount due to a director of a subsidiary	–	20,061	22,232
Borrowings	–	14,715	16,474
Customer's deposit	–	10,000	10,000
Deferred income	23,852	17,361	8,866
Deferred taxation	6,750	–	–
	<u>30,602</u>	<u>62,137</u>	<u>57,572</u>
<b>NET ASSETS (LIABILITIES)</b>	<u>847</u>	<u>(201,091)</u>	<u>(205,715)</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	8	8	8
Reserves	839	(201,099)	(205,723)
<b>TOTAL EQUITY (DEFICIENCY)</b>	<u>847</u>	<u>(201,091)</u>	<u>(205,715)</u>

**APPENDIX II FINANCIAL INFORMATION OF THE PARK WEALTH GROUP**

**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR EACH OF THE THREE YEARS ENDED 31 MARCH 2012**

	Share capital <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Retained earning (losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2009	<u>8</u>	<u>7,450</u>	<u>8</u>	<u>21,306</u>	<u>28,772</u>
Loss for the year	–	–	–	(27,918)	(27,918)
Exchange difference arising on translation	<u>–</u>	<u>–</u>	<u>(7)</u>	<u>–</u>	<u>(7)</u>
Total comprehensive expense for the year	<u>–</u>	<u>–</u>	<u>(7)</u>	<u>(27,918)</u>	<u>(27,925)</u>
At 31 March 2010	<u>8</u>	<u>7,450</u>	<u>1</u>	<u>(6,612)</u>	<u>847</u>
Loss for the year	–	–	–	(200,049)	(200,049)
Exchange difference arising on translation	<u>–</u>	<u>–</u>	<u>(1,889)</u>	<u>–</u>	<u>(1,889)</u>
Total comprehensive expense for the year	<u>–</u>	<u>–</u>	<u>(1,889)</u>	<u>(200,049)</u>	<u>(201,938)</u>
At 31 March 2011	<u>8</u>	<u>7,450</u>	<u>(1,888)</u>	<u>(206,661)</u>	<u>(201,091)</u>
Profit for the year	–	–	–	1,435	1,435
Exchange difference arising on translation	<u>–</u>	<u>–</u>	<u>(6,059)</u>	<u>–</u>	<u>(6,059)</u>
Total comprehensive (expense) income for the year	<u>–</u>	<u>–</u>	<u>(6,059)</u>	<u>1,435</u>	<u>(4,624)</u>
At 31 March 2012	<u>8</u>	<u>7,450</u>	<u>(7,947)</u>	<u>(205,226)</u>	<u>(205,715)</u>



**APPENDIX II FINANCIAL INFORMATION OF THE PARK WEALTH GROUP**

**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
FOR EACH OF THE THREE YEARS ENDED 31 MARCH 2012

	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>OPERATING ACTIVITIES</b>			
Loss before taxation	(41,051)	(206,745)	(135)
Adjustments for:			
Depreciation of property, plant and equipment	18,974	19,982	3,795
Amortization of intangible asset	18,800	3,484	–
Impairment losses on property, plant and equipment	–	63,753	–
Impairment losses on intangible asset	45,694	23,516	–
Impairment losses on goodwill	–	20,273	–
Impairment losses on advances to suppliers	–	10,802	2,979
(Gain) loss on disposal of property, plant and equipment	(1,733)	15	–
Foreseeable loss on construction contract	–	16,865	1,271
Allowance for doubtful debts, net	4,230	41,898	4,129
Allowances for obsolete and slow-moving inventories	–	694	475
Bank interest income	(16)	(9)	(40)
Imputed interest income	(564)	–	–
Gain on extension of non-interest bearing payable to a director of a subsidiary	–	(4,177)	–
Gain on disposal of a subsidiary	–	(3)	–
Finance costs	1,090	1,114	2,541
Warranty charges	834	191	164
	<u>46,258</u>	<u>(8,347)</u>	<u>15,179</u>
Operating cash flows before movements in working capital	46,258	(8,347)	15,179
Decrease in inventories	3,517	107	672
(Increase) decrease in amount due from customers for contract work	(6,776)	(7,125)	285
Decrease in amount due to customers for contract work	(5,718)	(1,326)	(13)
Decrease in warranty provision	(503)	(44)	(17)
Increase (decrease) in deferred income	6,498	(5,655)	(8,352)
Increase in receivables in respect of sales of drinking water purification machines	(13,512)	–	–
(Increase) decrease in trade and other receivables	(21,457)	14,651	(706)
(Decrease) increase in trade and other payables	(11,082)	29,427	(9,736)

**APPENDIX II FINANCIAL INFORMATION OF THE PARK WEALTH GROUP**

	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
CASH (USED IN) FROM OPERATIONS	(2,775)	21,688	(2,688)
Enterprise income tax paid, net	(3,009)	(315)	(10)
Interest paid	—	—	13
	<u>          </u>	<u>          </u>	<u>          </u>
NET CASH (USED IN) FROM OPERATING ACTIVITIES	<u>(5,784)</u>	<u>21,373</u>	<u>(2,685)</u>
INVESTING ACTIVITIES			
Interest received	16	9	40
Purchase of property, plant and equipment	(25,575)	(924)	(33)
Proceed on disposal of property, plant and equipment	1,448	5	—
Disposal of a subsidiary (net of cash and cash equivalents disposed of)	—	(1)	—
	<u>          </u>	<u>          </u>	<u>          </u>
NET CASH (USED IN) FROM INVESTING ACTIVITIES	<u>(24,111)</u>	<u>(911)</u>	<u>7</u>
FINANCING ACTIVITIES			
Advance from (repayment to) immediate holding company	10,020	(995)	(17,786)
Repayment to a director of a subsidiary	(1,791)	(111)	—
	<u>          </u>	<u>          </u>	<u>          </u>
NET CASH FROM (USED IN) FINANCING ACTIVITIES	<u>8,229</u>	<u>(1,106)</u>	<u>(17,786)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>(21,666)</u>	<u>19,356</u>	<u>(20,464)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	<u>25,948</u>	<u>4,282</u>	<u>23,638</u>
CASH AND CASH EQUIVALENTS AT THE END OF YEAR, represented bank balances and cash	<u>4,282</u>	<u>23,638</u>	<u>3,174</u>

**NOTES TO THE UNAUDITED FINANCIAL INFORMATION  
FOR EACH OF THE THREE YEARS ENDED 31 MARCH 2012****1. GENERAL**

Park Wealth International Limited (“Park Wealth”) is a limited company incorporated under the British Virgin Islands Law on May 23, 2007 in the British Virgin Islands and acts as an investment holding company. Its holding company is Successtime Limited (“Successtime”), its intermediate holding company is Chaoyue Group Limited (“Chaoyue”) with its shares listed on The Stock Exchange of Hong Kong Limited, and its ultimate holding company is Long Grand Limited.

The principal activity of Park Wealth and its subsidiaries was operating direct drinking water machines and air and water purification equipment and system businesses under the brand name of “OZONE COMFORT”.

On 22 June 2012, Successtime entered into a sale and purchase agreement with an independent third party, Fresh Water Group Limited (the “Purchaser”) where Successtime has conditionally agreed to dispose of its entire 100% equity interest in Park Wealth and the shareholder’s loan owed by Park Wealth to Successtime to the Purchaser (the “Disposal”) for a cash consideration of HK\$78,500,000, and according to the sales and purchase agreement Successtime shall pay HK\$10,000,000 to the Disposal Group as the operating fund with no repayment required.

The functional currency of Park Wealth and its subsidiaries (the “Park Wealth Group”) is Renminbi (“RMB”) as the Park Wealth Group’s operation is mainly in the People’s Republic of China. The unaudited financial information is presented in Hong Kong Dollars (“HKD”). The directors consider that HKD is the appropriate presentation currency as the management of Park Wealth controls and monitors the performance and financial position of the Park Wealth Group by using HKD.

**2. BASIS OF PREPARATION AND PRESENTATION OF UNAUDITED FINANCIAL INFORMATION**

The unaudited financial information of the Park Wealth Group for each of the three years ended 31 March 2012 has been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and solely for the purpose of inclusion in the circular to be issued by Chaoyue in connection with the Disposal.

The amounts included in the unaudited financial information have been recognised and measured in accordance with the relevant accounting policies of Chaoyue adopted in the preparation of its consolidated financial statements for the respective years ended 31 March 2010, 2011 and 2012, which conform with Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants.

The unaudited financial information, however, does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 “Presentation of Financial Statements” issued by Hong Kong Institute of Certified Public Accountants.

**(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING  
GROUP****Basis of preparation of the unaudited pro forma financial information of the  
Remaining Group**

The unaudited pro forma financial information of the Remaining Group is prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules to illustrate the effect of the Disposal.

The unaudited pro forma consolidated statement of financial position of the Remaining Group is prepared based on the audited consolidated statement of financial position of the Group as at 31 March 2012 as set out in the annual report of the Company for the year ended 31 March 2012, after making pro forma adjustments relating to the Disposal, as if the Disposal had been completed on 31 March 2012.

The unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group are prepared based on the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 March 2012 as extracted from annual report of the Company, after making pro forma adjustments relating to the Disposal, as if the Disposal had been completed on 1 April 2011.

The unaudited pro forma financial information is based on the aforesaid historical data after giving effect to the pro forma adjustments described in the accompanying notes. Narrative description of the pro forma adjustments that are (i) directly attributable to the transactions and (ii) factually supportable is summarised in the accompanying notes.

This unaudited pro forma financial information has been prepared by the directors of the Company for illustrative purposes only and is based on a number of assumptions, estimates, uncertainties and currently available information. Because of its hypothetical nature, the unaudited pro forma financial information does not purport to predict the results, cash flows, or financial position of the Group upon the completion of the Disposal or for any future period or any future date.

**APPENDIX III**

**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**

**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT  
OF FINANCIAL POSITION**  
AS AT 31 MARCH 2012

	<b>The Group as at 31 March 2012</b>	<b>Pro forma adjustments</b>		<b>The Remaining Group</b>
	<i>HK\$'000 Note (a)</i>	<i>HK\$'000 Note (b)</i>	<i>HK\$'000 Note (c)</i>	<i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	13,085	(13,064)		21
<b>CURRENT ASSETS</b>				
Trade and other receivables	1,899	(600)		1,299
Amount due from Park Wealth	–	97,826	(97,826)	–
Bank balances and cash	37,903	(3,174)	68,500	103,229
	39,802			104,528
Assets classified as held for sale	128,801			128,801
	168,603			233,329
<b>CURRENT LIABILITIES</b>				
Amount due to customers for contract work	910	(910)		–
Trade and other payables	55,137	(53,336)		1,801
Taxation payable	1,008	(1,008)		–
Warranty provisions	1,575	(1,575)		–
Deferred income	10,326	(10,326)		–
	68,956			1,801
Liabilities associated with assets classified as held for sale	1,263			1,263
	70,219			3,064
<b>NET CURRENT ASSETS</b>	98,384			230,265
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	111,469			230,286
<b>NON-CURRENT LIABILITIES</b>				
Amount due to a director of a subsidiary	22,232	(22,232)		–
Borrowings	16,474	(16,474)		–
Deferred income	8,866	(8,866)		–
Customer's deposit	10,000	(10,000)		–
	57,572			–
	53,897			230,286

**APPENDIX III****UNAUDITED FRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**

	<b>The Group</b>	<b>Pro forma adjustments</b>		<b>The</b>
	<b>as at</b>			<b>Remaining</b>
	<b>31 March</b>			<b>Group</b>
	<b>2012</b>			
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note (a)</i>	<i>Note (b)</i>	<i>Note (c)</i>	
<b>CAPITAL AND RESERVES</b>				
Share capital	18,824			18,824
Reserves	30,785		176,389	207,174
Amounts recognised in other comprehensive income and accumulated in equity relating to assets classified as held for sale	1,230			1,230
Equity attributable to owners of the Company	50,839			227,228
Non-controlling interests				
Non-controlling interests	2,921			2,921
Amount recognised in other comprehensive income relating to assets classified as held for sale and including in non-controlling interests	137			137
	<u>53,897</u>			<u>230,286</u>

**APPENDIX III**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**
**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT  
OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2012**

	<b>The Group for the year ended 31 March HK\$'000 Note (a)</b>	<b>Pro forma adjustments</b>		<b>The Remaining Group for the year ended 31 March 2012 HK\$'000</b>
		<i>HK\$'000</i> <i>Note (d)</i>	<i>HK\$'000</i> <i>Note (f)</i>	
<b>Continuing operations</b>				
Revenue	23,101	(23,101)		–
Cost of sales	<u>(7,486)</u>	7,486		<u>–</u>
Gross profit	15,615			–
Other income, gains and losses	2,586	(2,280)		306
Distribution and selling expenses	(3,261)	3,261		–
Administrative expenses	(25,182)	12,228		(12,954)
Finance costs	(2,541)	2,541		–
Gain on disposal of a subsidiary	<u>–</u>		152,316	<u>152,316</u>
(Loss) profit before taxation	(12,783)			139,668
Income tax credit	<u>1,570</u>	(1,570)		<u>–</u>
(Loss) profit for the year from continuing operations	<u>(11,213)</u>			<u>139,668</u>
<b>Discontinuing operations</b>				
Loss for the year from discontinued operations	<u>(32,716)</u>			<u>(32,716)</u>
(Loss) profit for the year	<u>(43,929)</u>			<u>106,952</u>
Other comprehensive expense (income) for the year				
Exchange difference arising on translation				
– from continuing operations	(6,059)	6,059		–
– from discontinuing operations	<u>49</u>			<u>49</u>
	<u>(6,010)</u>			<u>49</u>
Total comprehensive expense (income) for the year	<u>(49,939)</u>			<u>107,001</u>

## UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2012

	The Group			The
	for the			Remaining
	year ended	Pro forma adjustments		Group for
31 March	HK\$'000	HK\$'000	HK\$'000	the year
	Note (a)	Note (e)	Note (f)	ended
				31 March
				2012
				HK\$'000
(Loss) profit before taxation from continuing operation	(12,783)	135	152,316	139,668
Loss before taxation from discontinued operation	(32,716)			(32,716)
	(45,499)			106,952
Adjustments for:				
Depreciation of property, plant and equipment	3,821	(3,795)		26
Amortisation of intangible asset	9,478			9,478
Allowance for doubtful debts, net	4,129	(4,129)		–
Foreseeable loss on contraction contract	1,271	(1,271)		–
Allowances for obsolete and slow-moving inventories	475	(475)		–
Bank interest income	(324)	40		(284)
Finance costs	2,541	(2,541)		–
Warranty charges	164	(164)		–
Impairment loss on advances on suppliers	2,979	(2,979)		–
Gain on disposal a subsidiary	–		(152,316)	(152,316)
Operating cash flows before movements in working capital	(20,965)			(36,144)
Decrease in inventories	672	(672)		–
Decrease in amount due from customers for contract work	285	(285)		–
Increase in trade and other receivables	(5,734)	706		(5,028)
Decrease in amount due to customers for contract work	(13)	13		–
Decrease in trade and other payables	(9,738)	9,736		(2)
Decrease in warranty provision	(17)	17		–
Decrease in deferred income	(8,352)	8,352		–
Cash used in operations	(43,862)			(41,174)
Enterprise Income Tax paid, net	(10)	10		–
Interest paid	13	(13)		–
NET CASH USED IN OPERATING ACTIVITIES	(43,859)			(41,174)



**APPENDIX III**
**UNAUDITED FRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**

	The Group for the year ended 31 March				The Remaining Group for the year ended 31 March 2012
	HK\$'000	Pro forma adjustments			HK\$'000
	Note (a)	HK\$'000 Note (e)	HK\$'000 Note (f)	HK\$'000 Note (g)	
INVESTING ACTIVITIES					
Interest received	324	(40)			284
Purchases of property, plant and equipment	(33)	33			–
Repayment from Park Wealth Group	–	17,786		(17,786)	–
Proceed from disposal of subsidiaries, net of cash and cash equivalents disposed of	–		44,862		44,862
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>291</b>				<b>45,146</b>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(43,568)				3,972
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	81				81
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	81,474				81,474
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	37,987				85,527
REPRESENTED BY:					
BANK BALANCES AND CASH	37,903	20,464	44,862	(17,786)	85,443
CASH AND CASH EQUIVALENTS INCLUDED IN DISPOSAL GROUP HELD FOR SALE	84				84
	<b>37,987</b>				<b>85,527</b>

*Notes:*

- (a) Figures extracted from the audited consolidated financial statements of the Group as set out in the annual report of the Company for the year ended 31 March 2012.

- (b) The amount represents the exclusion of assets and liabilities of Park Wealth International Limited and its subsidiaries (collectively the “Disposal Group”) assuming the Disposal had been taken place on 31 March 2012.
- (c) The adjustment reflects the gain on disposal of the Disposal Group assuming the Disposal had been taken place on 31 March 2012 and is calculated as follows:

	<i>HK\$'000</i>
Consideration ( <i>note</i> )	78,500
Less:	
Operating fund paid to the Disposal Group	10,000
Net liabilities of the Disposal Group as at 31 March 2012	(205,715)
Amount due from the Disposal Group ( <i>note</i> )	97,826
	<u>97,889</u>
Gain on disposal of the Disposal Group	<u>176,389</u>

*Notes:*

On 22 June 2012, the Group has entered into a sales and purchase agreement with the Purchaser where the Group has conditionally agreed to dispose of the Disposal Group and amount due from the Disposal Group outstanding as of completion date of the Disposal for a cash consideration of HK\$78,500,000 (“Consideration”) , and according to the sales and purchase agreement Successtime shall pay HK\$10,000,000 to the Disposal Group as the operating fund with no repayment required.

- (d) The adjustment represents the exclusion of the results of the Disposal Group for the year ended 31 March 2012, assuming the Disposal had been taken place on 1 April 2011.
- (e) The adjustment represents the exclusion of the cash flows of the Disposal Group for the year ended 31 March 2012, assuming the Disposal had been taken place on 1 April 2011.
- (f) The adjustment reflects the gain on disposal of the Disposal Group assuming the Disposal had been taken place on 1 April 2011 and is calculated as follows:

	<i>HK\$'000</i>
Consideration ( <i>note</i> )	78,500
Less:	
Operating fund paid to the Disposal Group	10,000
Net liabilities of the Disposal Group as at 1 April 2011	(201,091)
Amount due from the Disposal Group ( <i>note</i> )	117,275
	<u>(73,816)</u>
Gain on disposal of the Disposal Group	<u>152,316</u>

*Note:*

Please refer to (c) above for details of Consideration for disposal.

The net proceed from the Disposal is calculated as follows:

	<i>HK\$'000</i>
Consideration	78,500
Operating fund paid to the Disposal Group	(10,000)
Bank balance and cash of the Disposal Group as at 1 April 2011	<u>(23,638)</u>
	<u>44,862</u>

- (g) The adjustment represents the exclusion of the settlement of amount due from the Disposal Group during the year ended 31 March 2012 as such balance should be disposed of upon the completion of Disposal assuming the Disposal had been taken place on 1 April 2011.
- (h) The above pro forma adjustments will have no continuing effect on the Remaining Group in the subsequent reporting periods.

**(B) ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL  
INFORMATION****Deloitte.****德勤****TO THE DIRECTORS OF CHAOYUE GROUP LIMITED**

We report on the unaudited pro forma financial information of Chaoyue Group Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed disposal of the entire issued capital of Park Wealth International Limited, an indirectly wholly-owned subsidiary of the Company, and its subsidiaries (hereinafter collectively referred to as the “Disposal Group”) might have affected the financial information presented, for inclusion in Appendix III to the circular dated 31 August 2012 (the “Circular”). The basis of preparation of the unaudited pro forma financial information is set out in section A of this appendix.

**Respective Responsibilities of directors of the Company and Reporting Accountants**

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

**Basis of Opinion**

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group after the disposal of the Disposal Group (the “Remaining Group”) as at 31 March 2012 or any future date; or the results and cash flows of the Remaining Group for the year ended 31 March 2012 or any future period.

**Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

31 August 2012

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Interests of the Directors or chief executive of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

#### (i) Long position in the Shares and underlying Shares of the Company

Name of Director	Capacity in which interests are held	Options to subscribe for Shares of the Company	Number of Shares interested	Interests as to % to the issued share capital of the Company
Yuen Leong	Interest of a controlled corporation	–	12,887,473,880 (Note 1)	68.46%
	Beneficial owner	9,000,000 (Note 2)	–	0.05%
Lam Man Kit, Dominic	Beneficial owner	9,000,000 (Note 2)	–	0.05%

*Notes:*

- (1) These 12,887,473,880 Shares are held by Long Grand Limited which is legally and beneficially owned as to 70% by Mr. Yam Yu and as to 30% by Mr. Yuen Leong. By virtue of his 30% direct interest in Long Grand Limited, Mr. Yuen Leong is deemed or taken to be interested in the 12,887,473,880 Shares held by Long Grand Limited for the purposes of the SFO.

- (2) Pursuant to the share option scheme adopted by a resolution of the Shareholders on 17 September 2004, these share options were granted on 17 July 2008 and are exercisable at HK\$0.532 per Share (after share subdivision on 3 August 2009) from 17 July 2008 to 16 September 2014.

*(ii) Long position in the Shares and underlying Shares of associated corporation*

Name of Director	Name of associated corporation	Interest held by controlled corporation	Personal interest	Family interest	Number of ordinary shares (long positions)	
					Total number of shares held in associated corporation	Approximate percentage of issued share capital of associated corporation
Yuen Leong	Long Grand Limited	–	Beneficial owner	–	300	30%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) were required, pursuant to the Model Code adopted by the Company, to be notified to the Company and the Stock Exchange.

**(b) Interests of the Shareholders discloseable pursuant to the SFO**

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have, interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or had any option in respect of such capital:

***Long position:***

<b>Name</b>	<b>Interest in Shares</b>	<b>Nature of interest</b>	<b>Percentage of the Company's issued share capital</b>
Long Grand Limited (Note 1)	12,887,473,880	Direct beneficial owner	68.46%

***Note:***

- (1) Long Grand Limited is legally and beneficially owned as to 70% by Mr. Yam Yu and as to 30% by Mr. Yuen Leong.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, no other persons (not being a Director or chief executive of the Company) had, or were deemed or taken to have, any interests or short positions in the Shares or underlying Shares which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, nor were there any persons, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or held any option in respect of such capital.

**3. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.



#### 4. OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have, since 31 March 2012 (being the date to which the latest published audited accounts of the Company were made up), been (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group.

None of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

#### 5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation). Also, their remunerations and benefits in kind receivable will not be directly varied in consequence of any acquisition by the Group.

#### 6. MATERIAL CONTRACTS

There were no contracts (not being contracts entered into in the ordinary course of business) entered into by the members of the Group within the two years immediately preceding the Latest Practicable Date and which are or may be material except for the following:

- (a) the agreement (the “**Disposal Agreement**”) dated 6 January 2012 entered into between (i) Eagle Mountain, an indirect 90%-owned subsidiary of the Company, as vendor, (ii) China National Gold Group Corporation as purchaser and (iii) the Company as Eagle Mountain’s guarantor, in respect of the disposal of the 70% interest in each of Acme Day Limited (“**Acme Day**”) and Fastmind Investments Limited (“**Fastmind**”) for a consideration of US\$21.0 million (subject to downward adjustment);
- (b) the deed of waiver executed by Eagle Mountain in favour of Acme Day and Fastmind (together with Acme Day, the “**Debtors**”) in respect of the waiver of the loan owed by the Debtors to Eagle Mountain in the amount of approximately HK\$86.3 million pursuant to the terms of the Disposal Agreement;
- (c) the agreement dated 13 March 2012 entered into between (i) Chaoyue Investment Holdings Limited (“**Chaoyue Investment**”), a wholly-owned subsidiary of the Company, (ii) Full Base Investments Limited, and (iii) United, in respect of the cash injection of RMB7.5 million by Chaoyue Investment into United representing 60% of the increased registered capital of United; and
- (d) the Agreement.

## 7. LITIGATION

As at the Latest Practicable Date, there was no litigation or claim of material importance known to the Directors to be pending or threatened against any members of the Group.

## 8. EXPERTS AND CONSENTS

<b>Name</b>	<b>Qualifications</b>
Deloitte Touche Tohmatsu (“ <b>DTT</b> ”)	Certified Public Accountants

DTT has given, and has not withdrawn, its written consent to the issue of this circular with the inclusion herein of its letter and/or references to its name, in the form and context in which they respectively appear.

As at the Latest Practicable Date, DTT was not interested in any Share or share in any member of the Group nor did it have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Share or share in any member of the Group.

As at the Latest Practicable Date, DTT had no direct or indirect interest in any asset which had been, since 31 March 2012, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

## 9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at Unit 2302, 23rd Floor, China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong from the date of this circular and up to and including the date of the SGM:

- the memorandum of association and the bye-laws of the Company;
- the published annual reports of the Company for each of the two financial years ended 31 March 2011 and 2012;
- the report from DTT on the financial information of the Park Wealth Group, the text of which is set out in Appendix II to this circular;
- the report from DTT on the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix III to this circular;
- the written consent referred to under the section headed “Expert and Consent” in this appendix;

- the material contracts referred to in the paragraph headed “Material contracts” in this appendix; and
- a copy of each of the circulars of the Company issued pursuant to the requirements set out in Chapter 14 and/or 14A of the Listing Rules since 31 March 2012.

**10. MISCELLANEOUS**

- The company secretary of the Company is Mr. Chung Yau Tong. He is a Fellow Member of the Association of Chartered Certified Accountant and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.
- The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- The Company’s principal place of business in Hong Kong is situated at Unit 2302, 23rd Floor, China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong.
- The branch share registrar and transfer office of the Company in Hong Kong is Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong.
- The English text of this circular prevail over their respective Chinese text.

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## NOTICE OF THE SPECIAL GENERAL MEETING

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### CHAORYUE GROUP LIMITED

### 超越集團有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00147)**

### NOTICE OF THE SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a special general meeting of Chaoyue Group Limited (the “**Company**”) will be held at Unit 2302, 23rd Floor, China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong at 10:30 a.m. or immediately after the Company’s annual general meeting for the financial year ended 31 March 2012 to be held at 10:00 a.m., whichever is later, on Friday, 21 September 2012, for the purposes of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

#### ORDINARY RESOLUTION

**“THAT:**

- (a) the sale and purchase agreement dated 22 June 2012 (the “**Agreement**”) entered into between Successtime Limited (the “**Vendor**”), a wholly-owned subsidiary of the Company, and Fresh Water Group Limited (the “**Purchaser**”), pursuant to which the Vendor has agreed to sell the entire issued share capital of Park Wealth International Limited (“**Park Wealth**”), and the indebtedness owed by Park Wealth to the Vendor, to the Purchaser for an aggregate consideration of HK\$78.5 million, a copy of the Agreement is tabled at the meeting and marked “A” and initialled by the chairman of the meeting for identification purpose, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) any one director of the Company be and is hereby generally and unconditionally authorized to do all such acts and things, to sign and execute all such further documents for and on behalf of the Company and to take all steps as he/she may in his/her absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the transactions under the Agreement.”

By Order of the Board  
**Chaoyue Group Limited**  
**Yuen Leong**  
*Executive Director*

Hong Kong, 31 August 2012

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## NOTICE OF THE SPECIAL GENERAL MEETING

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*Notes:*

- (i) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy or, if he is a holder of more than one share, more than one proxy in respect of the whole or any part of his holding of shares to attend and vote in his stead. A proxy need not be a member of the Company.
- (ii) In order to be valid, the form of proxy, together with any power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or other authority, must be deposited at the principal place of business of the Company located at Unit 2302, 23rd Floor, China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong, not less than 48 hours before the time for holding of the meeting or adjourned meeting thereof.
- (iii) Where there are joint registered holders of any ordinary share of the Company, any one of such holders may vote at the meeting, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such holders be present at the meeting personally or by proxy, that one of such holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.