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## **CHAOYUE GROUP LIMITED**

### **超越集團有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 147)**

## **DISCLOSEABLE TRANSACTION IN RELATION TO THE INVESTMENT IN UNITED (FUJIAN) ENTERPRISE MANAGEMENT CO., LTD.**

### **THE AGREEMENT**

The Board is pleased to announce that after trading hours of the Stock Exchange on 13 March 2012, Chaoyue Investment (a wholly-owned subsidiary of the Company), Full Base and United entered into the Agreement pursuant to which Chaoyue Investment conditionally agreed to invest in 60% of the increased registered capital of United by making a cash injection of RMB7.5 million (equivalent to approximately HK\$9.2 million) into United.

### **LISTING RULES IMPLICATION**

As the applicable percentage ratios (as set out in the Listing Rules) are more than 5% but less than 25%, the Transaction constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

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### **THE AGREEMENT**

#### **Date:**

13 March 2012

#### **Parties:**

- (a) Chaoyue Investment;
- (b) Full Base; and
- (c) United.

Full Base is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. As at the date of the Agreement, Full Base held a 100% interest in the paid-up capital of United.

United is a wholly foreign-owned enterprise established in the PRC 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.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Full Base, United and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons (has the same meaning ascribed thereto under the Listing Rules) and are not connected persons (has the same meaning ascribed thereto under the Listing Rules) of the Company.

**Subject matter:**

As at the date of the Agreement, the registered and paid-up capital of United was RMB5.0 million (equivalent to approximately HK\$6.2 million). Upon completion of the Transaction, (i) the registered capital of United shall be increased to RMB12.5 million (equivalent to approximately HK\$15.4 million); and (ii) Chaoyue Investment shall invest in 60% of the increased registered capital of United by making a cash injection of RMB7.5 million (equivalent to approximately HK\$9.2 million) into United.

The amount of the capital injection of RMB7.5 million was determined after arm's length negotiations between Chaoyue Investment and Full Base after taking into account, among other things, the net asset value and the existing paid-up capital of United and the percentage of interests to be held by Chaoyue Investment and Full Base in United upon completion of the Transaction.

**Conditions precedent:**

Completion of the Transaction shall be conditional on the fulfilment of the following conditions:

- (a) the approvals of the board of directors of both Full Base and United of the Agreement and the Transaction having been obtained;
- (b) if applicable, the approval of the shareholders of the Company of the Agreement and the Transaction having been obtained; and
- (c) all necessary approvals from relevant authorities in the PRC regarding the increase in registered capital and change in shareholding of United having been obtained.

If the above conditions are not fulfilled or satisfied by 31 December 2012, the Agreement shall cease and terminate, and neither party shall have any liabilities toward the other parties under the Agreement.

**Completion:**

After the signing of the Agreement, United shall apply for the approvals of the change in shareholding and increase in registered capital from relevant regulatory authorities in the PRC including Ministry of Commerce and Administration of Foreign Exchange and their delegated authorities. Completion of the Transaction shall take place and Chaoyue Investment shall remit

the amount of capital injection into the specified capital account of United within five Business Days upon fulfillment of all the conditions precedent as mentioned above. Thereafter, United shall proceed with completing the capital verification procedures and applying for a new business licence from Administration for Industry and Commerce reflecting the new shareholding and registered and paid-up capital of United.

Upon completion of the Transaction, United shall be interested as to 60% by Chaoyue Investment and 40% by Full Base. United shall become a 60%-owned subsidiary of the Group and its financial statements shall be consolidated into the accounts of the Group. The board of directors of United shall comprise three directors, of whom two will be appointed by Chaoyue Investment and one will be appointed by Full Base. The chairman of the board of directors of United shall be appointed by Full Base. Chaoyue Investment is entitled to appoint the supervisor of United.

Upon completion of the Transaction, Chaoyue Investment and Full Base shall share the profits and bear the losses of United in accordance with their respective capital contribution to United.

## **INFORMATION ON UNITED**

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.

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.

Based on the audited financial statements of United prepared in accordance with the PRC accounting standards and adjusted to the Hong Kong Financial Reporting Standards provided by United and Full Base, the profit before tax and profit after tax of United for the year ended 31 December 2010 amounted to approximately RMB1.3 million (equivalent to approximately HK\$1.6 million) and RMB0.9 million (equivalent to approximately HK\$1.1 million) respectively. Based on the unaudited financial statements of United prepared in accordance with the PRC accounting standards and adjusted to the Hong Kong Financial Reporting Standards provided by United and Full Base, the loss (both before tax and after tax) of United for the year ended 31 December 2011 amounted to approximately RMB1.0 million (equivalent to approximately HK\$1.2 million). The net assets of United as at 31 December 2011 amounted to approximately RMB4.3 million (equivalent to approximately HK\$5.3 million).

## **REASONS FOR THE TRANSACTION**

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 equipments, construction and installation of air purification and sewage treatment system in the PRC, and investment in exploration and mining business.

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 Company therefore considers it desirous to invest in United and tap into the consultancy services industry by capitalising on the existing infrastructure that United has developed since 2008.

In addition, the Group considers that United will bring about business and development opportunities leveraging on its experience in the commercial property industry, its engagements with large-scale commercial property developers, and the channels and qualifications that it possesses to engage in the promotion and sale of international and domestic branded products and commodities in the PRC.

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

The amount of capital to be injected by Chaoyue Investment is intended to be used, among other things, to recruit additional professionals to expand the team of United, to purchase management system software, and as general working capital for the possible introduction and promotion of wholesale business of United in conjunction with the property projects of its clients as described above. The Directors are optimistic that the capital injection would help United to expand its business and that United would contribute positively to the performance of the Group after completion of the Transaction. The Board is of the view that the Transaction is in the interests of the Company and its shareholders as a whole and the terms of the Agreement are fair and reasonable.

The cash payable by Chaoyue Investment to United under the Transaction shall be funded by internal resources of the Group.

## **LISTING RULES IMPLICATION**

As the applicable percentage ratios (as set out in the Listing Rules) are more than 5% but less than 25%, the Transaction constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“Agreement”	the agreement dated 13 March 2012 entered into between Chaoyue Investment, Full Base and United in relation to the Transaction
“Board”	the board of Directors
“Business Day”	any day on which banks in Hong Kong are open for business, excluding a Saturday, Sunday or public holiday
“Chaoyue Investment”	Chaoyue Investment Holdings Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company

“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)
“Director(s)”	director(s) of the Company
“Full Base”	Full Base Investments Limited, a company incorporated in the British Virgin Islands with limited liability
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China, excluding Hong Kong, Macau Special Administrative Region and Taiwan for the purpose of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the investment by Chaoyue Investment in the increased registered capital of United
“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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

*In this announcement, amounts in RMB are converted into HK\$ on the basis of RMB1=HK\$1.23. The conversion rate applied in this announcement are for illustration purpose only and should not be taken as a representation that RMB could actually be converted into HK\$ at the rates or at all.*

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

Hong Kong, 13 March 2012

*As at the date of this announcement, the Board comprises Mr. Yuen Leong and Ms. Luan Li as executive Directors; and Dr. Lam Man Kit, Dominic, Mr. Yap Yung and Mr. Zhang Guang Sheng as independent non-executive Directors.*