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## **CHAOYUE GROUP LIMITED**

**超越集團有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 147)**

### **VERY SUBSTANTIAL DISPOSAL AND RESUMPTION OF TRADING**

#### **THE AGREEMENT**

The Board is pleased to announce that after trading hours of the Stock Exchange on 22 June 2012, 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 an aggregate consideration of HK\$78.5 million. The Sale Shares represent the entire issued share capital of Park Wealth.

#### **LISTING RULES IMPLICATION**

The Disposal constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules and is therefore subject to the approval of the Shareholders. A circular containing details of the Agreement, the financial information of the Group and the Park Wealth Group, the unaudited pro forma financial information of the Remaining Group, other information as required under the Listing Rules and the notice of the SGM will be despatched by the Company to the Shareholders on or before 17 August 2012.

#### **GENERAL**

Trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 25 June 2012 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 30 July 2012.

**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.**

The Board is pleased to announce that after trading hours of the Stock Exchange on 22 June 2012, 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 an aggregate consideration of HK\$78.5 million. Set out below are the principal terms of the Agreement.

## **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 the 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 (as defined under the Listing Rules) and are not connected persons (as defined under the Listing Rules) of the Company and do not have any current or prior business relationship or business arrangements/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 in the amount of approximately HK\$96.5 million as at the date of the Agreement. It is expected that the amount of the Sale Loan will remain at approximately HK\$96.5 million at Completion.

### **Consideration:**

The aggregate consideration of HK\$78.5 million for the Sale Shares and the Sale Loan 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 of the date of this announcement; and
- (b) the balance of the consideration of HK\$68.5 million shall be payable by the Purchaser to Successtime in cash on Completion.

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 HK\$10.0 million upon receipt of the balance of the consideration from the Purchaser on Completion as its additional working capital. Such amount shall not be repayable by Park Wealth.

The consideration of the Disposal 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 has taken 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 in the same amount as 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 in (b)(ii) above and the Purchaser is entitled to waive the condition in (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.

**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.

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 unaudited consolidated financial statements of the Park Wealth Group prepared in accordance with the Hong Kong Financial Reporting Standards, the loss before and after tax of the Park Wealth Group for the year ended 31 March 2011 amounted to approximately HK\$213.6 million and HK\$206.9 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 unaudited 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 to engage 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.

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.

Based on the consideration of HK\$78.5 million, the unaudited net liabilities of the Park Wealth Group (taking into account the impairment losses recorded in previous years of approximately HK\$160.1 million) of approximately HK\$205.7 million as at 31 March 2012, the amount of the Sale Loan as at 31 March 2012 of approximately HK\$97.8 million, the amount of exchange reserve of approximately HK\$7.9 million to be released upon Completion and the working capital of HK\$10.0 million to be provided to Park Wealth at Completion, the Disposal is expected to result in a gain (before expenses) of approximately HK\$168.5 million for the Group. The actual gain or loss arising from the Disposal shall be determined based on the net asset value of the Park Wealth Group as at Completion which may be different from the above.

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 to extend the scope of consultancy services of United as described in the paragraph headed “Business of the Remaining Group” below;
- (b) as to approximately HK\$6.3 million for investing in the hardware (e.g. supercomputer 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 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.

## **BUSINESS OF THE REMAINING GROUP**

After 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 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 equipments, 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.

**(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.

At present, there are a total of 20 staff employed by United with different specialisation and expertise. 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 including 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.

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 due to the expected increase in the capacity of the Mine operations for submitting to the government of Kyrgyz Republic 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 construction and preparation work. 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.

The Remaining Group intends to fund part of the development work of the Mine with the proceeds from the sale of 70% interest in the Mine subject to the approval of the feasibility study by the relevant local authorities in Kyrgyz Republic and the progress of exploration works of the Mine. Details of the disposal of 70% interest in the Mine are set out in the announcement of the Company dated 6 January 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 date of this announcement, there is 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.**

## **LISTING RULES IMPLICATION**

The Disposal constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules and is therefore subject to the approval of the Shareholders. As no Shareholder has a materially different interest in the Disposal, no Shareholder is required to abstain from voting on the resolutions approving the Agreement and the transactions contemplated thereunder at the SGM. A circular containing details of the Agreement, the financial information of the Group and the Park Wealth Group, the unaudited pro forma financial information of the Remaining Group, other information as required under the Listing Rules and the notice of the SGM will be despatched by the Company to the Shareholders on or before 17 August 2012.

## **GENERAL**

Trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 25 June 2012 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 30 July 2012.

## **DEFINITIONS**

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

“Agreement”	the agreement dated 22 June 2012 entered into between Successtime and the Purchaser in relation to the Disposal
“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 sale and purchase of the Sale Shares and the Sale Loan pursuant to the terms and conditions of 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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mine”	the gold and copper mine located in Jala-Abad Provinces, Southwest of Kyrgyz Republic
“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 announcement
“Purchaser”	Fresh Water Group Limited, a company incorporated in the British Virgin Islands with limited liability
“Remaining Group”	the Group after Completion
“Sale Loan”	the total amount of shareholder’s loan owed by Park Wealth to Successtime in the amount of approximately HK\$96.5 million as at date of the Agreement
“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
“SGM”	the special general meeting of the Company to be convened and held to consider 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)
“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\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

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

Hong Kong, 27 July 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.*