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CHAOYUE GROUP LIMITED

超越集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 147)

(1) VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE ACQUISITION OF 70% EQUITY INTEREST IN THE TARGET; AND (2) RESUMPTION OF TRADING

THE ACQUISITION

After trading hours of the Stock Exchange on 27 August 2014, the Purchaser and the Vendor entered into the Agreement, pursuant to which the Purchaser conditionally agreed to purchase and the Vendor conditionally agreed to sell the Sale Shares. The Sale Shares represent a 70% equity interest in the Target. The Consideration for the Sale Shares is RMB280 million (equivalent to approximately HK\$350 million) and will be settled in full in cash.

The Target Group is principally engaged in property development in the PRC and investment holding.

GENERAL

The Acquisition and the transactions contemplated under the Agreement constitute a very substantial acquisition of the Company under Chapter 14 of the Listing Rules and are subject to the approval by the Shareholders at the SGM by way of poll.

A circular containing, among other things, (i) details of the Acquisition; (ii) the financial information on the Group and the Target Group; (iii) the unaudited pro forma financial information of the Group assuming Completion; (iv) other information required under the Listing Rules in relation to enhanced disclosure; and (v) the notice convening the SGM will be despatched by the Company to the Shareholders. As the Company expects that it will require more time to gather and prepare the information to be included in the circular, it is expected that the circular will be despatched to the Shareholders by no later than 28 November 2014.

RESUMPTION OF TRADING IN THE SHARES

Trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 28 August 2014 at the request of the Company pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 3 September 2014.

Shareholders and potential investors of the Company should note that Completion is subject to the fulfillment or waiver of the conditions under the Agreement and the Acquisition may or may not proceed to Completion. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares.

THE ACQUISITION

After trading hours of the Stock Exchange on 27 August 2014, the Purchaser and the Vendor entered into the Agreement in relation to the acquisition of a 70% equity interest in the Target. The principal terms of the Agreement are set out below.

Date

27 August 2014

Parties

Purchaser: 福州國天企業管理有限公司 (Fuzhou Guotian Enterprise Management Company Limited*), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company; and

Vendor: 福清市福旺房地產開發有限公司 (Fuqing Wangfu Property Development Company Limited*), a company incorporated in the PRC with limited liability.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, (i) the Vendor is principally engaged in property development in Fuzhou City, Fujian Province; (ii) the Vendor and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons; and (iii) save for being parties to the Agreement, the Company and its connected persons do/did not have any other (current or prior) relationship or business arrangements with the Vendor and its ultimate beneficial owners.

Assets to be acquired

The Purchaser conditionally agreed to purchase and the Vendor conditionally agreed to sell the Sale Shares, free from any mortgage, pledge, security, lien, restrictions, equity, purchase right, right of first refusal, transfer, lease, voting rights, trust, entrusted arrangement, option, third party rights or interests, other encumbrances or guarantee, or any other preferential arrangement of similar effect (including but not limited to transfer of ownership or retention arrangement) attached to any equity interest, land use right or ownership of property. The Sale Shares represent a 70% equity interest in the Target. Further information on the Target Group is set out in the paragraph headed "Information on the Target Group" below.

Consideration

The Consideration for the Sale Shares is RMB280 million (equivalent to approximately HK\$350 million) and will be payable by the Purchaser to the Vendor in full in cash within 15 Business Days after the date of Completion (or such later date as the parties may agree).

The Consideration was determined after arm's length negotiations with reference to, among other things, (i) the original acquisition cost of the 70% equity interest in the Target paid by the Vendor (i.e. RMB260 million, equivalent to approximately HK\$325 million); and (ii) 70% of the unaudited adjusted consolidated net asset value of the Target Group as at 31 December 2013 of approximately RMB291.1 million (equivalent to approximately HK\$363.9 million) (based on the unaudited consolidated net asset value of the Target Group as at 31 December 2013 and adjusted with the fair value of the Properties held by the Target Group as preliminarily assessed by an independent professional valuer using market approach). The Consideration represents a discount of approximately 3.8% to the aforesaid adjusted consolidated net asset value of the Target Group.

The Group intends to finance the Consideration as to RMB230 million (equivalent to approximately HK\$287.5 million) by borrowings and RMB50 million (equivalent to approximately HK\$62.5 million) by internal resources.

Conditions precedent

Completion will be conditional upon the satisfaction or waiver (as the case may be) of the following conditions:

- (i) the Agreement and the transactions contemplated thereunder having been approved by the Shareholders at the SGM;
- (ii) the transactions contemplated under the Agreement not being treated as a reverse takeover by the Stock Exchange which would otherwise result in the Company being required to comply with the new listing requirements;
- (iii) Liuzhou Huagui having consented to the Acquisition and waived its right of first refusal to acquire the Sale Shares in writing;
- (iv) the Agreement and the change in shareholding in the Target having been approved by the Ministry of Commerce of the PRC or its delegated authority(ies) in accordance with applicable laws in the PRC;
- (v) the Purchaser being satisfied with the due diligence report issued by a PRC legal adviser acceptable to the Purchaser in respect of the Target's establishment, continuation, operation and material assets;
- (vi) the Purchaser being satisfied with the accountants' report issued by an accounting firm acceptable to the Purchaser in respect of the financial statements of the Target for the three years ended 31 December 2013 and six months ended 30 June 2014 (or such other period as the parties to the Agreement may agree);
- (vii) the Agreement and the transactions contemplated thereunder having been approved or consented by the shareholders and board of directors of the Vendor and the Target, and other third parties (including but not limited to financing banks and guarantee companies, if necessary);

- (viii) the Purchaser and Liuzhou Huagui having entered into the new memorandum and articles of association of the Target and agreed to the composition and nomination of the new board of directors of the Target after Completion; and
- (ix) all representations, warranties and undertakings given by the Vendor remaining true and accurate in all respects without any material omission.

If the conditions above have not been fulfilled or waived by the Purchaser in writing (as the case may be) by 31 March 2015 (or such later date as the parties may agree), the Agreement shall terminate and neither party shall have any obligations or liabilities under the Agreement except for any antecedent breaches. As at the date of this announcement, none of the above conditions precedent has been satisfied or waived.

Completion

Completion shall take place on the date falling on the 15th Business Day after all the conditions to the Agreement having been fulfilled or waived (as the case may be) (or such other date as the parties to the Agreement may agree).

Upon Completion, members of the Target Group will become non-wholly-owned subsidiaries of the Company and the results, assets and liabilities of the Target Group will be consolidated into the financial statements of the Group.

Board composition

Upon Completion, the board of directors of the Target shall comprise three directors, of whom two will be appointed by the Purchaser and one will be appointed by Liuzhou Huagui. The chairman of the board of directors and legal representative of the Target will be appointed by the Purchaser.

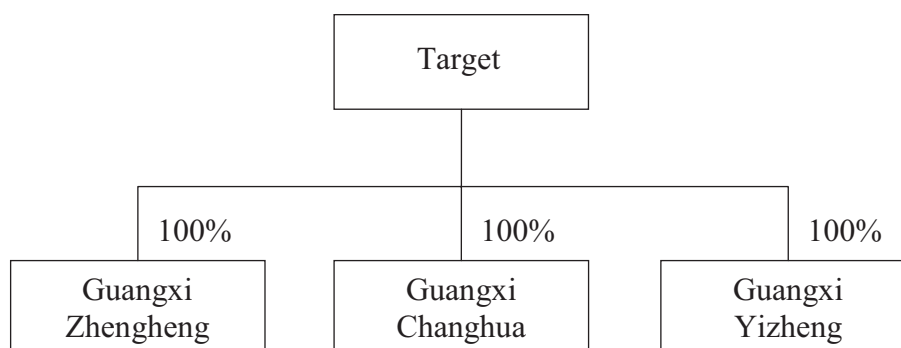
INFORMATION ON THE TARGET GROUP

Background

The Target was incorporated in the PRC with limited liability on 7 January 2010 with registered capital of RMB200 million (equivalent to approximately HK\$250 million). At the time of its incorporation, the Target was owned as to 70% by Hainan Zhenghe and 30% by Liuzhou Huagui. According to the announcement dated 13 December 2013 published by Hainan Zhenghe, Hainan Zhenghe entered into an agreement with the Vendor to dispose of, among other things, 70% equity interest in the Target to the Vendor at the consideration of approximately RMB260 million (equivalent to approximately HK\$325 million). Completion of the disposal took place in May 2014.

To the best of the Directors' knowledge, information and belief, Liuzhou Huagui and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

The Target Group comprises the Target and three wholly-owned subsidiaries, namely Guangxi Zhengheng, Guangxi Changhua and Guangxi Yizheng. Set out below is the group structure of the Target Group:



Principal business activities

The Target is principally engaged in property development in Liuzhou City, Guangxi Zhuang Autonomous Region, the PRC and investment holding whereas Guangxi Zhengheng, Guangxi Changhua and Guangxi Yizheng do not have material operations.

Property development

In 2010, the Target successfully bid from the local government parcels of land in Liuzhou City and planned to undertake residential and commercial property development project (the “**Phase I Project**”) at the site. The site area of the Phase I Project is approximately 230,000 sq. m.. According to the development plan of the Phase I Project, the Target will construct a stack of residential and commercial properties with GFA of approximately 500,000 sq. m.. Based on the latest update on the Phase I Project, the construction works with a total GFA of approximately 260,000 sq. m. were completed and the Target has sold GFA of approximately 250,000 sq. m. and received proceeds of approximately RMB989 million (equivalent to approximately HK\$1,236.3 million).

As at 31 December 2013, the Target has paid a cumulative investment sum of approximately RMB1,161.4 million (equivalent to approximately HK\$1,451.8 million) for the Phase I Project. It is expected that the Phase I Project will be completed in 2017 and the total investment cost for the Phase I Project would amount to approximately RMB1.8 billion (equivalent to approximately HK\$2.3 billion).

In 2012, the Target successfully bid another parcels of land adjacent to the aforesaid site with total site area of approximately 140,000 sq. m., and planned to undertake a property development project (the “**Phase II Project**”). According to the development plan of the Phase II Project, the Target will construct another stack of residential and commercial properties with a total GFA of approximately 580,000 sq. m.. It is expected that the Phase II Project will be completed in 2018 and the total investment cost for the Phase II Project would amount to approximately RMB2 billion (equivalent to approximately HK\$2.5 billion).

Based on the budget and working capital forecast prepared by the Target Group, it is expected that the Target Group will be self-sustainable and will finance its property development project by the cash flow generated from the sale of properties and bank borrowings.

Set out below is the development schedule of the Phase I Project and the Phase II Project:

The Phase I Project

<i>Date</i>	<i>Events</i>
2010	– Land acquisition – Commencement of construction work
2011	– Commencement of pre-sale of properties in Zone A
2012	– Commencement of pre-sale of properties in Zone B – Acceptance certificate of completion of work for properties in Zone A obtained and public statement made
2013	– Acceptance certificate of completion of work for properties in Zone B obtained and public statement made
2014E	– Commencement of pre-sale of properties in Zone C-1
2015E	– Commencement of pre-sale of properties in Zone C-2
2016E	– Acceptance certificate of completion of work for properties in Zone C-1 obtained and public statement made
2017E	– Acceptance certificate of completion of work for properties in Zone C-2 obtained and public statement made

The Phase II Project

<i>Date</i>	<i>Events</i>
2012	– Land acquisition
2013	– Commencement of construction work
2015E	– Commencement of pre-sale of properties in Zone D and E
2016E	– Commencement of pre-sale of properties in Zone F
2017E	– Acceptance certificate of completion of work for properties in Zone D and E obtained and public statement made
2018E	– Acceptance certificate of completion of work for properties in Zone F obtained and public statement made

Note: “E” denotes expected timing for relevant events set out above to occur.

Primary land development under the Cooperation Agreement

In addition to the property development business, the Target Group is also engaged in primary land development projects, i.e. preliminary development work necessary to prepare the land for sale at public auctions. During the process of primary land development, the developers are able to obtain an in-depth understanding of the condition of the land and other related matters, and demonstrate to the local government the development and financial strengths of the developers. As a result, primary land developers generally have competitive advantages over other bidders in acquiring land in the tender process. It is also in line with market practice where PRC property developers are also engaged in primary land development projects.

The Company is of the view that primary land development is one of the principal activities of the Target taking into account that (i) it is conducted in its ordinary and usual course of business and within the scope of business under its business licence; (ii) the economic benefits derived therefrom are recognised as revenue under International Accounting Standards and thus constitute one of the revenue streams of the Target; and (iii) engaging in primary land development projects will help enhance the developers' position in acquiring quality land.

On 9 September 2009, the Target entered into a cooperation agreement (the “**Cooperation Agreement**”) with a primary land development company in the PRC (the “**Partner**”), pursuant to which the Partner shall plan and organise the primary land development works (i.e. securing land, compensating and relocating residents, levelling land and constructing the basic infrastructure and facilities in order to meet the land selling requirement) for parcels of land with a site area of approximately 3,226 mu (the “**Land**”), whilst the Target shall be responsible for the management of the primary land development work, including but not limited to: (i) ensuring the work is completed in accordance with the prescribed schedule; (ii) entering into contracts in respect of purchase of materials and construction works incidental to the primary development work of the Land; and (iii) handling matters in relation to public tender for contractors for construction works. In return, the Target is entitled to receive an investment income equivalent to half of the sale proceeds of the Land net of development cost of RMB250,000 (equivalent to approximately HK\$312,500) per mu and the related taxes and expenses after the Land is sold in the public auction.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Partner is an entity under the local government of Liuzhou City and is a third party independent of the Company and its connected persons.

The Target Group had carried out seven primary land development projects within the Land with a total site area of approximately 577.4 mu, all of which were completed during the three years ended 31 December 2013 and funded by internal resources of the Target Group and were subsequently acquired by the Target Group for property development in relation to the Phase I Project and the Phase II Project. The Partner is currently carrying out the relocation of existing residents and demolition of existing premises for certain other site area. After completion of such relocation and demolition, the Target Group intends to take over the sites for further primary land development.

Financial information

Set out below is the unaudited consolidated financial information of the Target Group for each of the two years ended 31 December 2012 and 2013 prepared in accordance with International Financial Reporting Standards:

	For the year ended 31 December 2012		For the year ended 31 December 2013	
	<i>RMB'000</i>	<i>HK\$' 000 equivalent</i>	<i>RMB'000</i>	<i>HK\$' 000 equivalent</i>
Revenue	271,596	339,495	339,561	424,451
Profit before tax	128,295	160,369	42,138	52,673
Profit after tax	94,769	118,461	31,111	38,889

As at 31 December 2013
RMB'000 *HK\$' 000*
equivalent

Net asset value	133,973	167,466
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As at 31 December 2013, the preliminary valuation of the Properties as indicated by an independent professional valuer using market approach was approximately RMB1,600 million (equivalent to approximately HK\$2,000 million). The consolidated net asset value of the Target Group as adjusted by such preliminary valuation of the Properties would amount to RMB415.8 million (equivalent to approximately HK\$519.8 million).

According to the reporting accountant engaged by the Target Group (the “**Reporting Accountant**”), the revenue from the sale of properties by the Target Group will be recognized when the properties have been completed and delivered to the purchasers. Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities. To substantiate revenue recognition, the following conditions must be met:

- (i) the contracts for the sale of properties have been entered into between the Target Group and the purchasers;
- (ii) the construction work of properties have been substantially completed and an acceptance certificate of completion of work issued by the government authorities for that building has been obtained; and
- (iii) a statement has been published on the public newspaper to notify the purchasers that the building is ready for delivery and move-in.

For the two years ended 31 December 2012 and 2013, the Target Group generated revenue of approximately RMB271.6 million (equivalent to approximately HK\$339.5 million) and RMB339.6 million (equivalent to approximately HK\$424.5 million) respectively from the sale of units at the Phase I Project. No revenue was generated for the year ended 31 December 2011 as the Phase I Project was still under development at that time.

The gross profit margin of the Target Group dropped from approximately 51% in 2012 to approximately 17% in 2013 for the reason that the gross profit in 2012 was generated from the sale of properties in Zone A of the Phase I Project, while most of the gross profit in 2013 was generated from the sale of properties in Zone B of the Phase I Project. The cost of sales for the properties in Zone B was significantly higher than those in Zone A mainly due to the fact that Zone B is adjacent to a mountain requiring more complicated construction works.

The Reporting Accountant advised that during the course of the primary land development project, the land development costs incurred by the Target will be capitalised in the balance sheet as other receivables before the public auction of the land for which primary land development has been completed (the “**Completed Sites**”). No revenue or cost of sales will be recognised before the public auction of the Completed Sites as the economic benefits associated with the primary land development which will flow to the Target cannot be measured reliably.

If the Completed Sites developed by the Target are successfully bid by the Target, the whole development project including the primary development should be considered as a series of transactions according to International Accounting Standards. The Target will recover its other receivables while the investment income derived from primary land development will be deducted from land cost in the account of property under development and reflected in the cost of sales in the income statement of the Target when the properties developed on the Completed Sites are sold to the ultimate customers.

If the Target fails to bid the Completed Sites which were developed by it, the primary land development project will be regarded as an individual transaction given that the economic effect could be assessed independently when the Completed Sites are sold to ultimate customers. Accordingly, once the public auction of the Completed Sites is completed, the balance receivable by the Target (i.e. the land developments costs incurred plus the investment income) will be recognised as revenue as the economic benefits associated with this transaction which will flow to the Target can be measured reliably while the land development costs incurred which were capitalised as other receivables will be recognised as cost of sales in the income statement of the Target.

As disclosed above, the Target Group completed seven primary land development projects during the three years ended 31 December 2013 and all the Completed Sites were subsequently acquired by the Target Group. For the three years ended 31 December 2011, 2012 and 2013, the investment income attributable to the Target Group were approximately RMB20.0 million, RMB46.1 million and RMB46.1 million respectively and were deducted from land cost in the account of property under development.

REASONS FOR THE ACQUISITION

The Company is principally engaged in investment holding. As at the date of this announcement, the principal assets of the Group comprise (i) 60% interest in United (Fujian) Enterprise Management Co., Ltd., a company involved in the provision of business consulting services, trading of goods and construction, operation and maintenance of websites and/or e-commerce platform; and (ii) 30% interest in the gold and copper mining operation in the Republic of Kyrgyz.

It is the Company's strategy to review from time to time potential business opportunities and investments to enhance Shareholders' value. The Group has been focusing on finding suitable investments that present development opportunities and also able to provide a sustainable stream of cash flow and profit in the long run.

According to 《2013國民經濟和社會發展統計公報》(2013 National Economy and Social Development Statistics Report*) issued by National Bureau of Statistics of the PRC in February 2014 (the “**Statistics Report**”), the total floor area of residential buildings completed (竣工面積) in 2013 dropped by approximately 0.4% to approximately 787 million sq. m.. The Directors believe that it was mainly attributable to previous stringent control policy on property market promulgated by the PRC government. Despite the aftermath, the Statistics Report shows that the total investment in residential development in 2013 has increased by approximately 19.4% to RMB5.9 trillion (equivalent to approximately HK\$7.4 trillion), driving the Directors to believe that the PRC property market is reviving and thus the Acquisition represents a prime opportunity for the Company to enter into the reviving property market in a timely and cost-effective manner. In addition, taking into account that the Consideration represents a discount of approximately 3.8% to the adjusted consolidated net asset value of the Target Group, the Directors consider that the terms of the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FUTURE INTENTION

The Company does not have any current intention to change the composition of the Board and senior management of the Company, nor any intention, arrangement, agreement, understanding, negotiation (concluded or otherwise) on (i) any disposal, termination or scaling down of the Group's existing businesses; or (ii) injection of any other new business to the Group apart from the Acquisition. There is also no intention to make any change in the Company's shareholding structure.

Given that the Company intends to retain the existing management team of the Target Group after completion of the Acquisition and one of the executive Directors, Ms. Luan Li, has relevant experience in the property market in the PRC (as she was a member of the senior management team of several multinational companies in Hong Kong and the PRC which were principally engaged in real estate investment and development business), the Company does not expect that there will be any interruption to the operations of the Target Group after completion of the Acquisition. The Company will consider recruiting candidates who possess the relevant industry experience to supplement the existing management of the Target Group when necessary.

INDUSTRY OVERVIEW

The economic growth in the PRC has fueled the development of the property market. Along with economic growth, the PRC has experienced fast-growing urbanization and rising disposable income per capita, which have driven a remarkable growth in the property market during the past years. The table below sets out the indicators of the PRC property market from 2009 to 2013:

	2009	2010	2011	2012	2013	CAGR
Real estate investment (<i>RMB' billion</i>)	3,624	4,826	6,180	7,180	8,601	24.1%
Investment in residential development (<i>RMB' billion</i>)	2,561	3,403	4,432	4,937	5,895	23.2%
GFA of commercialised residential properties completed (<i>million sq. m.</i>)	577	612	717	790	787	8.1%
GFA of residential properties sold (<i>million sq. m.</i>)	862	934	965	985	1,157	7.6%
Total sales of commercialised residential properties (<i>RMB' billion</i>)	3,843	4,412	4,820	5,347	6,769	15.2%
Average selling price of commercialised residential properties (<i>RMB per sq. m.</i>)	4,459	4,725	4,993	5,430	5,850	7.0%

Source: National Bureau of Statistics of the PRC

The table below sets out the indicators of the property market in Guangxi Zhuang Autonomous Region from 2009 to 2013:

	2009	2010	2011	2012	2013	CAGR
Real estate investment (<i>RMB' billion</i>)	81	121	152	155	161	18.7%
Investment in residential development (<i>RMB' billion</i>)	58	88	108	107	117	19.2%
GFA of commercialised residential properties completed (<i>million sq. m.</i>)	12	13	19	19	14	3.9%
GFA of residential properties sold (<i>million sq. m.</i>)	22	26	27	25	28	6.2%
Total sales of commercialised residential properties (<i>RMB' billion</i>)	70	88	98	99	117	12.6%
Average selling price of commercialised residential properties (<i>RMB per sq. m.</i>)	3,133	3,382	3,554	3,910	4,219	7.7%

Source: Guangxi Statistical Bureau

RISK FACTORS

The Target Group is susceptible to changes in policies related to the PRC property industry

The PRC government exerts considerable direct and indirect influence on the development of the PRC property sector by imposing industry policies and other economic measures. The PRC government had implemented a series of regulations and policies to slow down the property market and inflation of property prices, dampen property speculation and encourage self-use demand. The policies taken by national or local government may limit the ability of the Target Group to sell properties at a profit, generate sufficient operating cash flows from contracted sales, obtain finance, acquire land for future developments, impose additional requirements for pre-sales or use proceeds raised by pre-sales properties other than the purpose of the respective project. Although the policies and measures imposed by the PRC government can be foreseen, the Group is prepared to equip itself with additional resources to support the operations of the Target Group and adjust its strategies to adapt to the latest business environment with a view to minimising the relevant risk and negative impact to the Group upon and after Completion.

The success of the Target Group will be heavily dependent on the performance of the property market in the PRC, particularly in Liuzhou City

The Target Group currently operates only one property development project which is located in Liuzhou City. Therefore, the success of the Target Group will be heavily dependent on the performance of the property market in Liuzhou City. The property market in Liuzhou City may be affected by local, regional, national and global factors, including economic and financial condition, speculative activities in local markets, demand for and supply of properties, availability of alternative investment choices for property purchasers, inflation, government policies, interest rates and availability of capital. In addition, any widespread damage to properties in Liuzhou City resulting from natural disasters, civil disorder, pollution, human negligence or other events may also affect the property project of the Target Group. These may have a material adverse impact on cash flows, financial condition and results of operations of the Target Group.

Given the existing resources of the Target Group, it is only capable to operate its existing property development project in Liuzhou City, Guangxi Zhuang Autonomous Region, the PRC. Upon Completion, it is expected that additional resources and/or funding and/or support will be available to the Target Group and the Target Group will endeavour to identify suitable business opportunities to further develop and/or diversify the business of the Target Group. The Target Group intends to seek for opportunities in Liuzhou City, Guangxi Zhuang Autonomous Region, the PRC initially in order to achieve economy of scale and better use of resources. However, no specific investment opportunity has been identified as at the date of this announcement. Meanwhile, the Target Group is led by a team of experienced senior management who have years of experience in the real estate market, especially in Liuzhou City, the Group will leverage on the experience, network and business connection of the existing management, which will be retained after Completion, to run the business of the Target Group and formulate future development plan of the Target Group.

The Target Group may not always be able to acquire land reserves which are suitable for property development

In order to have a steady stream of developed properties available for sale and continuous growth, the Target Group needs to replenish its land reserves from time to time. The ability of the Target Group to acquire land depends on a number of factors, such as general economic conditions, effectiveness in identifying and acquiring land parcels suitable for development and competition for such land parcels. In order to access potentially available land reserves, the Target Group is also engaged in primary land development which allows the Target Group to gain competitive advantages over other bidders in acquiring land in the tender process. However, there is no assurance that that the Target Group will be able to acquire the relevant land parcels, of which primary land development has been completed by the Target Group. Nevertheless, the Group will closely observe the timing of the public tender or sale of land parcel by the relevant land bureau and assess the possibility of obtaining further land reserve. Besides, the Target Group is led by a team of experienced senior management who have years of experience in the real estate market, especially in Liuzhou City, the Group will leverage on the experience, network and business connection of the existing management, which will be retained after Completion, to run the business of the Target Group and formulate future development plan of the Target Group. The Company believes that the management team will be capable to identify suitable land reserves in the future when opportunity arises. As at the date of this announcement, no candidate of land reserve has been identified.

The Target Group may not have adequate financing to fund its future land acquisition and property development project

Property development is capital intensive. The Target Group finances its property project primarily through the pre-sale and sale proceeds, borrowings from financial institutions and internal resources. The ability of the Target Group to obtain adequate financing for land acquisition and property development is dependent on a number of factors, such as general economic condition, credit availability from financial institutions, as well as monetary policies in the PRC and PRC laws and regulations relating to the property sector. There is no assurance that the Target Group will be able to secure adequate financing to fund its land acquisition and property development project, failing which may adversely affect the business, financial condition and results of operations of the Target Group. Upon Completion, the Target Group will become members of the Group and it is expected that the Target Group may, via the various channels of the Group, access to overseas capital and/or equity market to obtain financing to fund its future land acquisition and property development projects. Moreover, the Group may provide its corporate guarantee to facilitate the Target Group in obtaining facilities from financial institutions as and when necessary.

The Target Group relied on third party contractors which may be adversely affected by the performance of them

The Target Group employs third-party contractors to carry out various works, including design, construction, installation of equipment, exterior and interior decoration, various engineering and other ancillary services. There is no assurance that any such third-party contractors will provide satisfactory services or the required level of quality or deliver its service on time. In addition, contractors may experience financial or other difficulties that may affect their ability to carry out the work for which they were contracted, thus delaying the completion of the property developments of the projects of the Target Group or resulting in additional costs for the Target Group. Any of these factors could adversely affect the revenues and reputation of the Target Group. The Company will designate competent personnel to monitor the progress of the property projects and inspect the quality of work done by the contractors regularly. In addition, the Company will maintain a list of qualified contractors for replacement so that the Company can promptly react in the rare event that the original contractors become incapable to carry out its work.

GENERAL

The Acquisition and the transactions contemplated under the Agreement constitute a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and are subject to the approval by the Shareholders at the SGM by way of poll. To the best of the Directors' knowledge, the Vendor and its associates do not hold any Shares as at the date of this announcement and no Shareholder has a material interest in the transactions contemplated under the Agreement. Accordingly, no Shareholder will be required to abstain from voting at the SGM in respect of the resolution(s) relating to the Acquisition.

The Company will appoint a financial adviser to conduct due diligence on the Target Group with reference to Practice Note 21 of the Listing Rules.

A circular containing, among other things, (i) details of the Acquisition; (ii) the financial information on the Group and the Target Group; (iii) the pro forma financial information of the Group assuming Completion; (iv) other information required under the Listing Rules in relation to enhanced disclosure; and (v) the notice convening the SGM will be despatched by the Company to the Shareholders. As the Company expects that it will require more time to gather and prepare the information to be included in the circular, it is expected that the circular will be despatched to the Shareholders by no later than 28 November 2014.

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DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions will have the following respective meanings:

“Acquisition”	the proposed acquisition of the Sale Shares by the Purchaser pursuant to the terms and conditions of the Agreement
“Agreement”	the conditional agreement dated 27 August 2014 (after trading hours) entered into between the Purchaser and the Vendor in relation to the Acquisition
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	any day(s) on which government authorities in the PRC are open for business (except statutory holidays in the PRC)
“Company”	Chaoyue Group Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration for the Sale Shares under the Agreement
“Director(s)”	the director(s) of the Company

“Group”	the Company and its subsidiaries from time to time
“Guangxi Changhua”	廣西昌樺投資有限公司 (Guangxi Changhua Investment Company Limited*), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Target
“Guangxi Yizheng”	廣西益正貿易有限公司 (Guangxi Yizheng Trading Company Limited*), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Target
“Guangxi Zhengheng”	廣西正恒貿易有限公司 (Guangxi Zhengheng Trading Company Limited*), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Target
“Hainan Zhenghe”	海南正和實業集團有限公司 (Hainan Zhenghe Industrial Group Co. Ltd.), a company incorporated in the PRC with shares listed on the Shanghai Stock Exchange (stock code: 600759)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Liuzhou Huagui”	柳州華桂房地產開發有限公司 (Liuzhou Huagui Property Development Company Limited*), a property developer based in Liuzhou City
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Properties”	the properties under development and investment properties in Liuzhou City, the PRC held by the Target Group
“Purchaser”	福州國天企業管理有限公司 (Fuzhou Guotian Enterprise Management Company Limited*), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Sale Shares”	the entire issued share capital of the Target as at the date of the Agreement
“SGM”	the special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Agreement and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target”	柳州正和華桂置業集團有限公司 (Liuzhou Zhenghe Huagui Real Estate Group Company Limited*), a company incorporated in the PRC with limited liability
“Target Group”	the Target and its subsidiaries
“Vendor”	福清市福旺房地產開發有限公司 (Fuqing Wangfu Property Development Company Limited*), a company incorporated in the PRC with limited liability
“GFA”	gross floor area
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“sq. m.”	square metre(s)
“%”	percentage

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

Hong Kong, 2 September 2014

For illustration purposes only, an exchange rate of RMB1 = HK\$1.25 has been used in this announcement. The rate should not be taken as a representation that RMB could actually be converted into HK\$ at that rate or at all.

As of 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.

* *for identification purposes only*