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## IMPORTANT

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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 your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your securities in **Chaoyue Group Limited**, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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## CHAoyUE GROUP LIMITED

超越集團有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00147)**

### MAJOR TRANSACTION IN RELATION TO THE DISPOSAL OF 70% EQUITY INTEREST IN SUBSIDIARIES

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## DEFINITIONS

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*In this circular, unless the context requires otherwise, the following terms have the meanings defined below:*

“Acme”	Acme Day Limited (萃協有限公司), a company incorporated in Hong Kong with limited liability and the owner of one percent (1%) of the issued shares of Tun Lin
“Board”	the board of Directors
“Business Day”	any day that is not Saturday, Sunday or other day on which banks are required or authorised by law to be closed in Hong Kong or the PRC
“BVI”	the British Virgin Islands
“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)
“Closing”	closing of the Disposal Agreement
“Closing Accounts”	the audited financial statements of Fastmind and Acme to be issued by an internationally reputable accounting firm to be engaged by the Purchaser and approved by the Vendor within three months after the Closing Date
“Closing Date”	the date on which Closing takes place
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Consideration”	the aggregate consideration for the Sale Shares under the Disposal Agreement, being US\$21.0 million (approximately HK\$163.4 million) (subject to downward adjustment)
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the terms and conditions of the Disposal Agreement

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## DEFINITIONS

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“Disposal Agreement”	the agreement dated 6 January 2012 entered into among the Vendor, the Purchaser and the Company in relation to the sale and purchase of the Sale Shares
“Exploration License”	License # 2451AII for the right of subsoil use with the purpose of geological exploration of the Mine issued to Kichi-Chaarat by the Geological Agency of the Kyrgyz Republic on 17 November 2009
“Fastmind”	Fastmind Investments Limited (特穎投資有限公司), a company incorporated in Hong Kong with limited liability and the owner of 99% of the issued shares of Tun Lin
“Fastmind Group”	Fastmind and its subsidiaries
“Group”	the Company and its subsidiaries
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Jointly Controlled Account”	a bank account in the PRC established by the Purchaser and jointly operated by the Purchaser and the Vendor
“Kichi-Chaarat”	Kichi-Chaarat Closed Joint-Stock Company, a company incorporated in the Kyrgyz Republic
“Latest Practicable Date”	30 January 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Mine”	Kuru-Tegerek gold deposit located at Chatkal region of Jala-Abad Province, Southwest of Kyrgyz Republic
“Mining License”	License # Au-88-02 for the right of subsoil use with the purpose of development of the Mine issued to Kichi-Chaarat by the Geological Agency of Kyrgyz Republic on 22 July 2008

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## DEFINITIONS

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“PRC”	The People’s Republic of China, excluding Hong Kong, Macau Special Administrative Region and Taiwan for the purpose of this circular
“Pride Delight”	Pride Delight Limited, a limited company incorporated in the BVI which owns 90% of the issued shares of the Vendor
“Purchaser”	China National Gold Group Corporation, a company established in the PRC with limited liability
“Remaining Group”	the Group upon Completion
“Sale Shares”	the 70 issued shares of HK\$1 each in the issued share capital of each of Acme and Fastmind as at Closing, which will be beneficially held by and allotted and issued to the Vendor prior to Closing
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Successtime”	Successtime Limited, a limited company incorporated in the BVI and the sole shareholder of Pride Delight
“Tun Lin”	Tun Lin Limited Liability Company, a company incorporated in the Kyrgyz Republic, which is the sole shareholder of Kichi-Chaarat
“Tun Lin Group”	Tun Lin and its subsidiaries
“Vendor”	Eagle Mountain Holdings Limited, a company incorporated in the BVI with limited liability and an indirect 90%-owned subsidiary of the Company holding the entire equity interest in Acme and Fastmind prior to Closing

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## DEFINITIONS

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“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

*Amounts in US\$ are converted into HK\$ at a rate of US\$1 = HK\$7.78 in this circular for illustration purpose only and should not be taken as a representation that US\$ could be converted into HK\$ at that rate 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

Church Street

Hamilton HM 11

Bermuda

*Head office and principal place  
of business in Hong Kong:*

Unit 2302, 23rd Floor

China Insurance Group Building

141 Des Voeux Road Central

Hong Kong

1 February 2012

*To the Shareholders and, for information only,*

*holders of the non-voting convertible preference shares of the Company*

Dear Sir or Madam,

**MAJOR TRANSACTION  
IN RELATION TO  
THE DISPOSAL OF 70% EQUITY INTEREST IN SUBSIDIARIES**

**INTRODUCTION**

On 6 January 2012, the Board announced that after trading hours of the Stock Exchange, the Vendor (an indirect 90%-owned subsidiary of the Company), the Purchaser and the Company (as the Vendor's guarantor) entered into the Disposal Agreement pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Shares, representing 70% of the issued share capital of each of Acme and Fastmind, for a consideration of US\$21.0 million (equivalent to approximately HK\$163.4 million) (subject to downward adjustment).

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## LETTER FROM THE BOARD

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The Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the approval of the Shareholders. To the best of the Directors' knowledge, no Shareholder has a material interest in the Disposal which is different from other Shareholders and thus no Shareholder is required to abstain from voting at a general meeting to approve the Disposal. Long Grand Limited, which is beneficially interested in 12,887,473,880 Shares (representing approximately 68.46% of the issued share capital of the Company as at the Latest Practicable Date), has given a written consent to the Disposal. The written consent is accepted in lieu of holding a Shareholders' meeting pursuant to Rule 14.44 of the Listing Rules.

The purpose of this circular is to provide you with details of the Disposal Agreement, financial information of the Group and other information required under the Listing Rules.

### THE DISPOSAL AGREEMENT

**Date:** 6 January 2012

**Parties:**

- (a) Vendor: Eagle Mountain Holdings Limited, an indirect 90%-owned subsidiary of the Company;
- (b) Purchaser: China National Gold Group Corporation; and
- (c) Vendor's guarantor: the Company, being the guarantor of the Vendor to guarantee the performance of the contractual obligations, and representations and warranties of the Vendor under the Disposal Agreement.

The Vendor is a company incorporated in the BVI on 1 July 2009 and has not been engaged in any business operations since its incorporation except for its holding of the entire interest in Fastmind and Acme respectively.

The Purchaser is a large-scale comprehensive mining corporation principally engaged in geological prospecting, mine exploitation, mineral processing and smelting, product refining, marketing, scientific research, engineering design and construction with its subsidiaries listed in the PRC and dually listed in Toronto and Hong Kong. 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.

**Assets to be disposed of:**

The assets to be disposed of under the Disposal Agreement are the Sale Shares, being 70% of the issued shares of each of Acme and Fastmind on the Closing Date. The Sale Shares shall be acquired by the Purchaser together with all rights, title and interest attached thereto as of the Closing Date free of encumbrances.



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## LETTER FROM THE BOARD

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Pursuant to the terms of the Disposal Agreement, the Vendor shall waive the shareholder's loans advanced by the Vendor or any of its affiliates to Acme and the Fastmind Group upon Closing. As at the Latest Practicable Date, the amount of shareholder's loans advanced by the Vendor or any of its affiliates to Acme and the Fastmind Group amounted to approximately HK\$93.6 million.

### **Consideration:**

The aggregate consideration for the Sale Shares of US\$21.0 million (equivalent to approximately HK\$163.4 million) (subject to downward adjustment), of which US\$20,790,000 (equivalent to approximately HK\$161.7 million) is attributable to 70% equity interest in Fastmind and US\$210,000 (equivalent to approximately HK\$1.6 million) is attributable to 70% equity interest in Acme, shall be paid by the Purchaser in the following manner:

#### *Stage 1: Consideration deposited in RMB by the Purchaser into the Jointly Controlled Account*

- (a) an initial payment of US\$10.0 million (equivalent to approximately HK\$77.8 million) shall be payable by the Purchaser to the Jointly Controlled Account within 7 Business Days (i) from opening of the Jointly Controlled Account (which in any event shall be opened within fifteen (15) Business Days from the date of the Disposal Agreement); and (ii) after the representative appointed by the Purchaser is positioned in Kichi-Chaarat; and
- (b) a second payment of US\$11.0 million (equivalent to approximately HK\$85.6 million) shall be payable by the Purchaser to Jointly Controlled Account within 7 Business Days after (i) the Shareholders' meeting adopts a resolution approving the Disposal Agreement (or a written Shareholders' approval for the Disposal Agreement and the transactions contemplated thereunder is accepted by the Stock Exchange in lieu of holding a Shareholder's meeting); and (ii) the president of Kichi-Chaarat, who signed the license agreement attached to the Mining License, is duly changed to the person designated by the Purchaser and all relevant administrative procedures regarding such change have been completed in accordance with the laws of the Kyrgyz Republic.

#### *Stage 2: Consideration released from Jointly Controlled Account to the Vendor*

- (a) US\$18.0 million (equivalent to approximately HK\$140.0 million) shall be released from the Jointly Controlled Account to the Vendor within two (2) Business Days immediately after the transfer documents of the Sale Shares are duly stamped by the Stamp Office of the Inland Revenue Department in Hong Kong after the Closing Date; and
- (b) the remaining amount of US\$3.0 million (equivalent to approximately HK\$23.3 million) (the "Final Payment") in the Jointly Controlled Account, after deducting all the debts and liabilities of the Fastmind Group and Acme (exclusive of the

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## LETTER FROM THE BOARD

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shareholders' loans advanced by Vendor to Fastmind and Acme) up to the Closing Date as stated in the Closing Accounts and the license agreement #13 under the Mining License has been signed by the new president of Kichi-Chaarat (unless otherwise waived by the Purchaser), shall be released from the Jointly Controlled Account to the Vendor.

Any extra cost arising from the signing of the license agreement #13 shall be borne by the Vendor. In the event that the debts and liabilities of the Fastmind Group and Acme as at the Closing Date exceed the amount of the Final Payment, the Vendor shall pay the shortfall and the amount deducted from the Final Payment should be applied by the Purchaser to settle all the outstanding balances of debts and liabilities of the Fastmind Group and Acme. In the event that the Closing Accounts are not issued after three (3) months after the Closing Date, the Final Payment shall be released to the Vendor without any deduction. In the event that the Purchaser cannot complete the foreign exchange conversion procedures as required under the PRC laws, the Purchaser shall pay the Vendor the Consideration in RMB within three (3) Business Days from the end of three (3) months from the date of payment of US\$18 million or the Final Payment (as the case may be) and any shortfall arising from an appreciation of RMB against US\$ on the date of release of such payment shall be reimbursed and paid by the Purchaser to the Vendor.

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser after taking into account, among other things, the resources, the financial position, the operating cost structure and the mining life of the Mine. The Directors consider that the Consideration is fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

### **Conditions precedent:**

Closing of the Disposal Agreement is conditional upon fulfilment or waiver (as the case may be) of the following conditions before the first anniversary of the date of the Disposal Agreement:

- (a) the representations and warranties of the Purchaser contained in the Disposal Agreement are true and correct in all material respects as of the Closing, with the same force and effect as if made as of the Closing, and the Vendor shall have received a certificate of the Purchaser to such effect signed by a duly authorized officer thereof;
- (b) the Purchaser have delivered to the Vendor a true copy, certified by a director or the company secretary or assistant secretary or an equivalent officer of the Purchaser, of the resolutions duly and validly adopted by the board of directors of the Purchaser evidencing its authorization of the execution and delivery of the Disposal Agreement and the consummation of the transactions contemplated thereby;
- (c) the Purchaser has opened the Jointly Controlled Account;

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## LETTER FROM THE BOARD

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- (d) all necessary approval, consents, permission, registration and filings from all competent government departments, authorities or agencies and/or registries in the PRC in relation to the transaction contemplated under the Disposal Agreement have been obtained to the satisfaction of the Vendor;
- (e) the Purchaser has given the Vendor two cashier's orders or cheques on the Closing Date amounting to 0.1% of the Consideration, both payable to "The Government of the HKSAR" for the Purchaser's portion of the stamp duty and the Vendor has delivered the said cashier's orders or cheques to the Stamp Office of the Inland Revenue Department on behalf of the Purchaser;
- (f) the representations and warranties of the Vendor and the Company contained in the Disposal Agreement are true, correct and complete in all material respects as of the date of the Disposal Agreement;
- (g) the covenants and agreements contained in the Disposal Agreement to be complied with by the Vendor and the Company on or before Closing have been complied with in all material respects, and the Purchaser has received a certificate from the Vendor and the Company to such effect signed by a duly authorised officer of the Vendor and the Company;
- (h) no action has been commenced or threatened as of the Closing Date by or before any governmental authority or non-governmental authority against the Vendor, or either of the Fastmind Group or Acme seeking to restrain or materially adversely alter the transactions contemplated under the Disposal Agreement which, in the reasonable, good faith determination of the Purchaser, is likely to render it impossible or unlawful to consummate such transactions contemplated under the Disposal Agreement or which could reasonably be expected to have a material adverse effect as specified under the Disposal Agreement;
- (i) the Vendor has delivered to the Purchaser a true copy, certified by a director or company secretary, of board resolution duly and validly made by the Vendor's directors and the Company shall have delivered to the Purchaser a true copy, certified by a director or company secretary, of resolution duly and validly adopted by its shareholders' meeting (or written resolutions, if such written shareholders' resolutions of the Company is accepted by the Stock Exchange) evidencing the Vendor's and the Company's authorisation of the execution and performance of the Disposal Agreement and the consummation of the transactions contemplated therein;
- (j) Kichi-Chaarat has provided the Purchaser with the original copies of the license agreements #13 attached to the Mining License and license agreement #3 attached to the Exploration License;
- (k) all such necessary approval, consents, permission, registration and filings from all competent government departments, authorities or agencies and/or registries in Kyrgyz Republic, Hong Kong, BVI and PRC (if applicable) in relation to the

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## LETTER FROM THE BOARD

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transaction contemplated under the Disposal Agreement have been obtained to the satisfaction of the Purchaser;

- (l) the board of Kichi-Chaarat has, within five (5) Business Days of execution of the Disposal Agreement, has made a resolution appointing a representative designated by the Purchaser to co-manage Kichi-Chaarat's day-to-day operations and financial matters with Kichi-Chaarat's incumbent management;
- (m) the president of Kichi-Chaarat has been changed to the person appointed by the Purchaser and all the procedures required under any applicable laws, regulations, decrees or codes in respect of change of the president of Kichi-Chaarat have been concluded;
- (n) the completion of the allotment and issuance of 99 shares of Fastmind to the Vendor by Fastmind;
- (o) the completion of the allotment and issuance of 99 shares of Acme to the Vendor by Acme; and
- (p) the circular in relation to the Disposal Agreement and transactions contemplated thereunder has been cleared by the Stock Exchange.

The Vendor may, at its absolute discretion, waive conditions (a) to (e) by notice in writing to the Purchaser. The Purchaser may, at its absolute discretion, waive conditions (f) to (p) by notice in writing to the Vendor. As at the Latest Practicable Date, conditions (c), (l), (n), (o) and (p) have been fulfilled. Save as aforesaid, none of the conditions have been fulfilled or waived.

### **Termination:**

The Disposal Agreement may be terminated at any time prior to the Closing in the following manner:

- (a) either the Vendor or the Purchaser shall be entitled to elect not to complete the Disposal and, accordingly, to terminate the Disposal Agreement on or before the Closing Date: (i) either the Purchaser and the Vendor becomes aware that one or more of the representations or warranties of the other party to the Disposal Agreement is or are untrue, incorrect or misleading as of the date given in any material respect; (ii) there is a breach of any agreement, covenant or obligation of the other party under the Disposal Agreement and the other party has failed to cure such breach within 30 day period of receiving written notice thereof or such breach is not remediable; or (iii) any action shall have been commenced or threatened by or before any government authorities against either Acme, Fastmind, Tun Lin or Kichi-Chaarat, the Vendor or the Purchaser, seeking to restrain the transactions contemplated under the Disposal Agreement which, in its reasonable, good faith

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## LETTER FROM THE BOARD

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determination, is likely to render it impossible or unlawful to consummate such transactions provided that this clause shall not apply if the parties to the Disposal Agreement seeking termination has directly or indirectly solicited or encouraged any such action; or (iv) the other party is unable to fulfil the aforesaid condition precedents within twelve (12) months from the date of the Disposal Agreement;

- (b) the Vendor and the Purchaser may terminate the Disposal Agreement at any time by mutual written consent;
- (c) in case the Vendor signs any legally binding agreement with or enters into any legally binding arrangement with any other party in respect of selling or transferring any shares or assets of Acme, Fastmind, Tun Lin or Kichi-Chaarat or rights regarding prospecting or exploring or developing the Mine thereunder during the transitional period from the date of the Disposal Agreement to the Closing Date, the Disposal Agreement shall be terminated by the Purchaser unilaterally by serving a written termination notice to the Vendor and the Vendor shall compensate the Purchaser for an amount of US\$5,000,000 for its breach of the Disposal Agreement;
- (d) in the event that the Purchaser decides not to consummate Disposal during the transitional period from the date of the Disposal Agreement to the Closing Date, except for a reason that there is any incompliance of Acme, Fastmind, Tun Lin or Kichi-Chaarat or their assets with any relevant laws, regulations, decrees or codes or there is any changes of investment environment, relevant laws, regulations, decrees or codes which causes the Purchaser to reverse its investment decision, the Vendor shall have the right to unilaterally terminate the Disposal Agreement by serving a written termination notice to the Purchaser and the Purchaser shall compensate the Vendor for an amount of US\$5,000,000 for its breach of the Disposal Agreement; or
- (e) the Vendor shall have a right to terminate the Disposal Agreement in the event that the Purchaser changes the signing arrangement of the Jointly Controlled Account without the prior written approval from the Vendor or create any encumbrance on the Jointly Controlled Account and the Purchaser shall compensate the Vendor for an amount of US\$5,000,000 in this regard.

In the event that the Disposal Agreement is terminated according to the above, the Disposal Agreement shall forthwith become null and void and there shall be no liability on the part of either party except (a) the obligations of the Vendor and the Purchaser to obtain all required approvals and consents of and effect filings for the Disposal; and (b) the obligations of the Vendor to (i) notify the Purchaser in writing as soon as practicable after becoming aware of any representations and warranties of the Vendor becoming untrue or inaccurate in any material respect as at the Closing Date; and (ii) make any relevant investigation which the Purchaser may reasonable require.

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## LETTER FROM THE BOARD

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### **Closing:**

Closing shall take place within five (5) Business Days of the fulfilment or waiver (as the case may be) of all the conditions set out above.

Upon Closing, the Vendor will hold a 30% equity interest in each of Acme and the Fastmind Group and will enter into a shareholders' agreement with the Purchaser in connection with the operations and management of Acme and the Fastmind Group. Upon Closing, the Purchaser is entitled to nominate two directors to the board of each of the Fastmind Group and Acme, and appoint the chairman of the board of directors and the general manager whilst the Vendor is entitled to nominate one director to the board and appoint the deputy general manager to exercise supervision right.

Upon Closing, Acme and Fastmind will cease to be subsidiaries of the Company and become associated companies of the Company. Accordingly, the Group will equity account for the financial results of Fastmind and Acme after Closing.

### **INFORMATION ON ACME AND FASTMIND GROUP**

Fastmind and Acme are both limited liability companies incorporated in Hong Kong and wholly-owned subsidiaries of the Vendor. Fastmind and Acme hold 99% and 1% interest in Tun Lin respectively. Tun Lin is a company organised under the laws of the Kyrgyz Republic, and holds 100% interest in Kichi-Chaarat. Kichi-Chaarat is also a company incorporated in the Kyrgyz Republic and is the holder of the Exploration License and the Mining License.

The Mine is located in the Chatkal region of Jala-Abad Provinces, Southwest of Kyrgyz Republic with estimated mineral resources of approximately 97.0 tonnes of gold and approximately 1.0 million tonnes of copper. The Exploration License and Mining License had been issued by the relevant authorities of the Kyrgyzstan Government with an exploration period to 31 December 2014 and a mining period to 31 December 2021 respectively. The mining work is yet to commence but the Company has engaged professional parties to conduct a feasibility study and such feasibility study report has been submitted to the relevant authorities of the Kyrgyzstan Government for approval. Once the feasibility study is approved by the relevant authorities of the Kyrgyzstan Government, the Company will engage professionals to design a detailed plan for the mining work but the exact commencement date for the mining work is subject to the progress of the approval from the relevant authorities. No revenue has been generated from the Mine up to the Latest Practicable Date.

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## LETTER FROM THE BOARD

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Set out below are the financial information extracted from (i) the audited consolidated financial statements of the Fastmind Group for the period from 9 September 2009 (date of incorporation of Fastmind) to 31 March 2010; (ii) the audited consolidated financial statements of the Fastmind Group for the year ended 31 March 2011; and (iii) the unaudited consolidated management accounts of the Fastmind Group for the period from 1 April 2011 to 30 September 2011:

### Fastmind Group

	<b>For the period from 9 September 2009 (date of incorporation of Fastmind) to 31 March 2010</b>	<b>For the year ended 31 March 2011</b>
	<i>HK\$'000</i> <i>(audited)</i>	<i>HK\$'000</i> <i>(audited)</i>
Loss before taxation	7,664.8	22,695.2
Loss after taxation	7,664.8	22,695.2
		<b>As at 30 September 2011</b>
		<i>HK\$'000</i> <i>(unaudited)</i>
Net assets		52,818.1

Set out below are the financial information extracted from (i) the audited financial statements of Acme for the period from 18 January 2010 (date of incorporation) to 31 March 2011; and (ii) the unaudited management accounts of Acme for the period from 1 April 2011 to 30 September 2011:

### Acme

	<b>For the period from 18 January 2010 (date of incorporation) to 31 March 2011</b>	<b>For the period from 1 April 2011 to 30 September 2011</b>
	<i>HK\$'000</i> <i>(audited)</i>	<i>HK\$'000</i> <i>(unaudited)</i>
Loss before taxation	6.8	Nil
Loss after taxation	6.8	Nil
		<b>As at 30 September 2011</b>
		<i>HK\$'000</i> <i>(unaudited)</i>
Net liabilities		6.8

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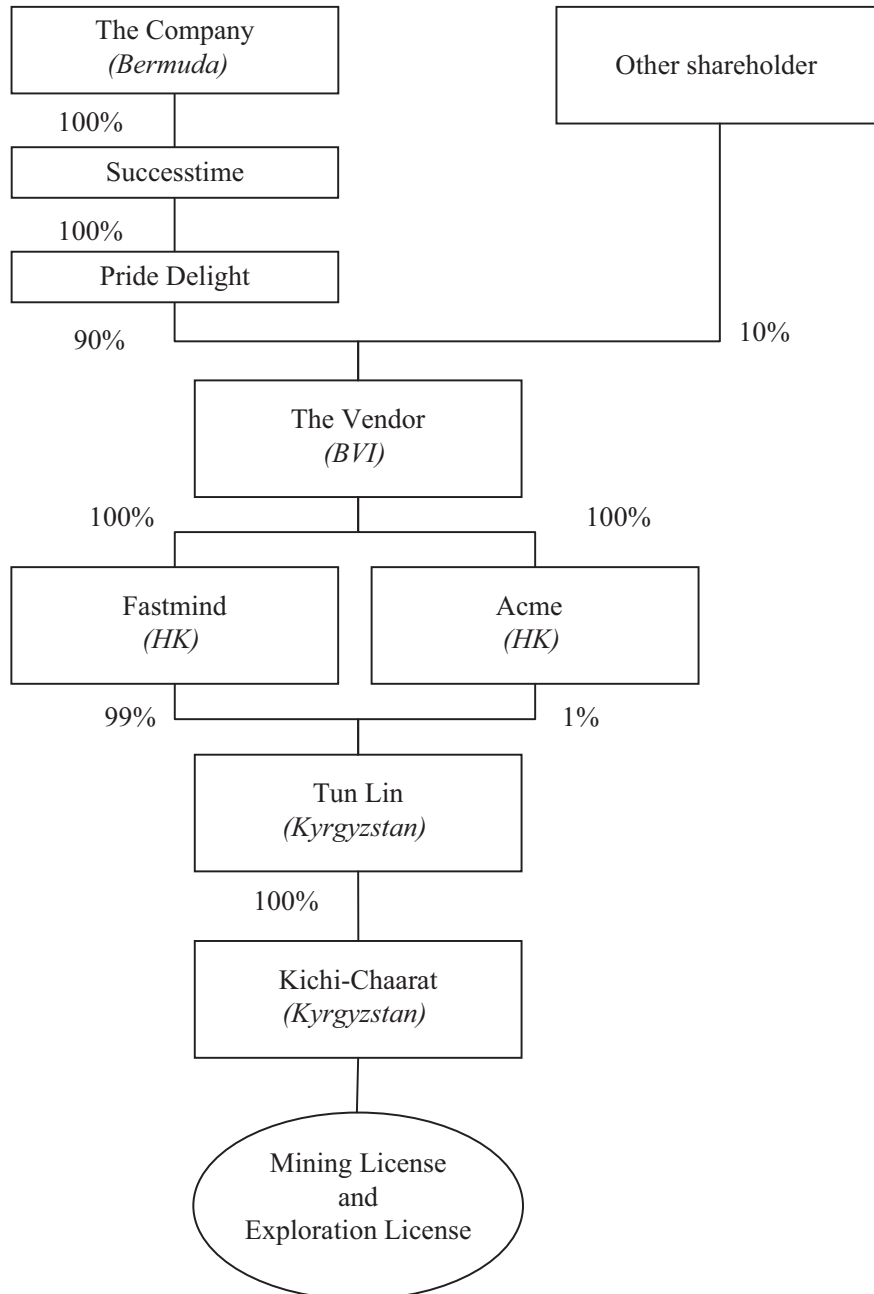
## LETTER FROM THE BOARD

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### SHAREHOLDING STRUCTURE OF ACME AND FASTMIND BEFORE AND AFTER CLOSING

Set out below is the shareholding structure of Acme and Fastmind immediately before and after Closing:

**As at the Latest Practicable Date and immediately before Closing**



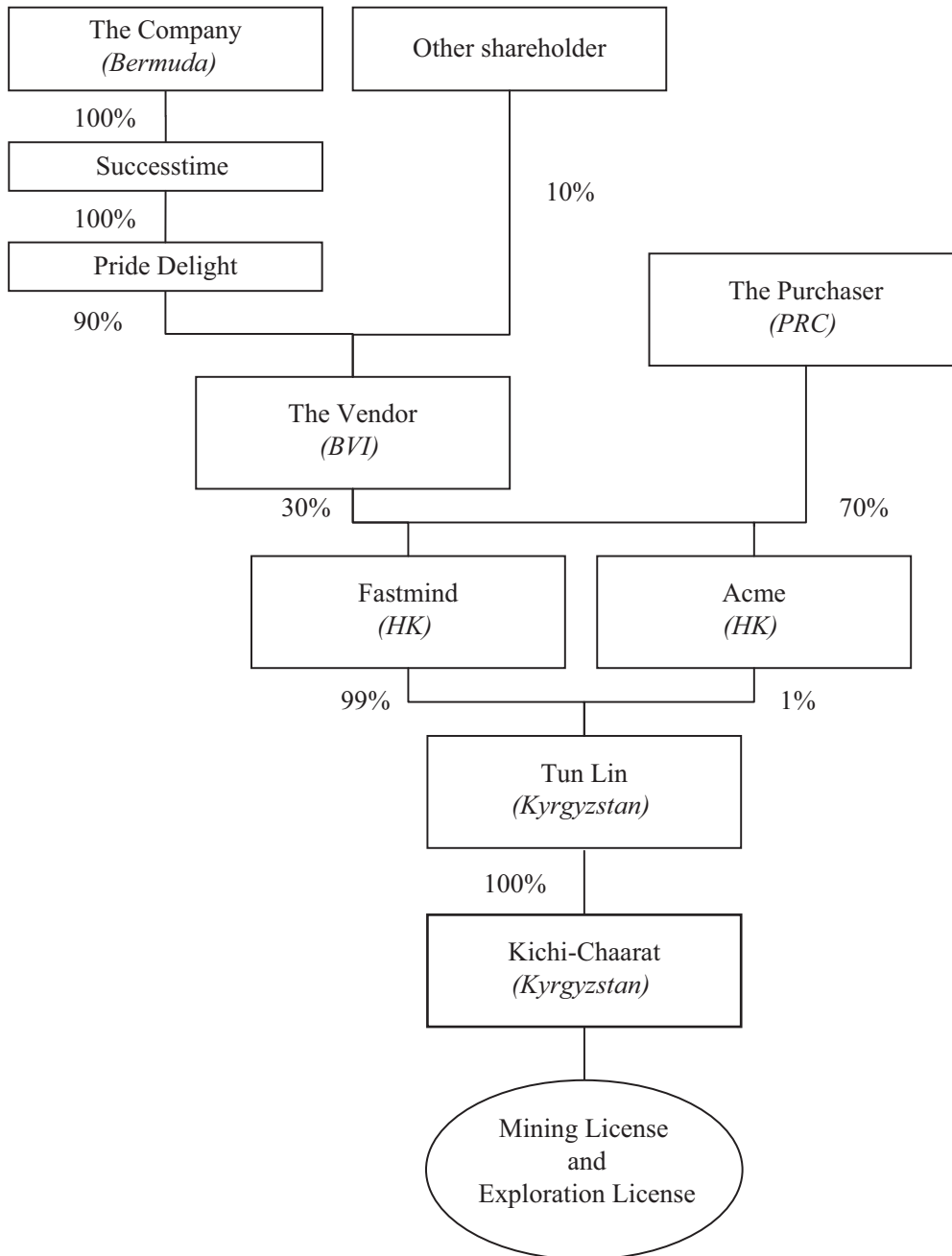


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## LETTER FROM THE BOARD

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### Immediately after Closing



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## LETTER FROM THE BOARD

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### REASONS FOR THE DISPOSAL

The principal activities of the Group are the leasing of direct drinking water purification machines, the manufacturing and sales of air purification and water purification equipments, and construction and installation of air purification and sewage treatment system in the PRC.

In November 2009, the Group acquired 90% equity interest in the Vendor for a consideration of US\$20.0 million (equivalent to approximately HK\$155.6 million). After the acquisition of the Vendor and thus the exploration and mining rights of the Mine, the Company has engaged professional parties to conduct a feasibility study of the Mine and such feasibility study report has been submitted to the relevant authorities of the Kyrgyzstan Government for approval. The Directors consider that the Disposal offers a prime opportunity for the Group to realize a considerable gain from its investment, to introduce another shareholder with 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, and in the mean time retain a significant interest in the Mine for future lucrative potentials.

The net proceeds from the Disposal, after deducting expenses attributable to the Disposal, are estimated to be approximately HK\$153.1 million. The Company intends to apply such net proceeds as to approximately HK\$50 million as general working capital and as to approximately HK\$103.1 million to fund the development work of the Mine and future acquisitions for business expansion. As at the Latest Practicable Date, the Company has not entered into any agreement in respect of any acquisitions.

In view of the above, the Board considers that the Disposal is in the interests of the Company and the Shareholders as a whole and the terms of the Disposal Agreement are fair and reasonable.

### FINANCIAL EFFECTS OF THE DISPOSAL

#### Earnings

Based on the unaudited management accounts of Acme and the Fastmind Group as at 30 September 2011, a gain of approximately HK\$56.5 million (before expenses and taxation) for the Group is expected to arise from the Disposal, which is calculated with reference to the Consideration of approximately HK\$163.4 million less the sum of (i) 70% of the book value of the Group's investment in Acme and the Fastmind Group as at 30 September 2011; (ii) 70% of the amount of shareholder's loan advanced to Acme and the Fastmind Group of approximately HK\$82.1 million as at 30 September 2011 to be waived by the Vendor under the Disposal Agreement; and (iii) the 10% minority interest on the disposal gain shared by the other shareholder of the Vendor of approximately HK\$12.4 million. Shareholders and investors should note that the exact amount of gain on the Disposal is to be determined with reference to the fair value attributable to the Sale Shares as at the Closing Date and may be different from the above estimated gain.

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## LETTER FROM THE BOARD

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### **Assets and liabilities**

Immediately after Completion, the respective shareholding of the Company in the Fastmind Group and Acme will be reduced from 100% to 30% and thus Fastmind and Acme will cease to be subsidiaries of the Company. The Company intends to retain the remaining 30% interest in the Fastmind Group and Acme, which will become associated companies of the Company. As such, the assets and liabilities of the Fastmind Group and Acme will be deconsolidated from the Group's future financial statements. The Company will equity account for the net assets and results of the Fastmind Group and Acme after Completion. Accordingly, the total assets of the Group would increase upon Completion, which is attributable to the excess of the receipts of the proceeds from the Disposal over the total assets of the Fastmind Group and Acme and the recognition of its share of net assets of the Fastmind Group and Acme as an associated company. The total liabilities of the Group would decrease because of the exclusion of the liabilities of the Fastmind Group and Acme.

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

Upon Completion, the Remaining Group will continue to be engaged in the leasing of direct drinking water purification machines, the manufacturing and sales of air purification and water purification equipments, and construction and installation of air purification and sewage treatment system in the PRC while maintaining a significant interest in the Mine for future lucrative potentials.

As disclosed in the section headed "Reasons for the Disposal" above, the Group has engaged professional parties to conduct a feasibility study of the Mine and such feasibility study report has been submitted to the relevant authorities of the Kyrgyzstan Government for approval. In view of the estimated capital expenditures required for the exploration of the Mine and the scale of the development of the Mine, the Directors consider the Disposal provides a prime opportunity to introduce another shareholder with expertise and relevant industry experience to take the lead in the exploration work of and financing for the Mine.

According to information disclosed in the official website of the Purchaser, the Purchaser is the PRC's largest gold producer, with gold mining enterprises under its control all over the major gold-producing areas of the PRC. The purchaser has the supporting capabilities serving the mineral development, such as construction and installation, equipment processing and manufacturing, transportation and warehousing, and also masters advanced and practical technology of gold production. In addition, the Purchaser has reached the international advanced level in the development, utilization and refining of the refractory gold resources. The annual gold production of the Purchaser accounts for about 20% of the total gold production in the PRC and the controlled gold reserves accounts for more than 30% of the total gold reserves in the PRC.

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## LETTER FROM THE BOARD

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According to the published information from the London Bullion Market Association, the London gold market price increased from US\$1,327 per troy ounce in January 2011 to US\$1,531 per troy ounce in December 2011, representing an increase of approximately 15.4%. In view of such upward trend of the global market price of gold and the financial support from and relevant industry experience of the Purchaser, the Remaining Group is optimistic about the future development of the Fastmind Group and Acme and is confident in capturing future gains from its investment portfolio.

### LISTING RULES IMPLICATIONS

The Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the approval of the Shareholders. To the best of the Directors' knowledge, no Shareholder has a material interest in the Disposal which is different from other Shareholders and thus no Shareholder is required to abstain from voting at a general meeting to approve the Disposal. Long Grand Limited, which is beneficially interested in 12,887,473,880 Shares (representing approximately 68.46% of the issued share capital of the Company as at the Latest Practicable Date), has given a written consent to the Disposal. The written consent is accepted in lieu of holding a Shareholders' meeting pursuant to Rule 14.44 of the Listing Rules.

### GENERAL INFORMATION

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

Yours faithfully,  
For and on behalf of  
**Chaoyue Group Limited**  
**Yuen Leong**  
*Executive Director*

**1. INDEBTEDNESS STATEMENT**

At the close of business on 31 December 2011, being the latest practicable date for the purpose of ascertaining certain information relating to this indebtedness statement prior to the printing of this circular, the Group had amounts due to a director of a subsidiary and an independent third party, which are unsecured, amounting to approximately HK\$21,874,000 (at amortised cost with effective interest rate of 6.65% per annum) and HK\$9,868,000 respectively.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have outstanding, at the close of business on 31 December 2011, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptable or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

**2. WORKING CAPITAL**

The Directors are of the opinion that, after taking into account of its presently available financial resources, including funds internally generated from operation, the available financing 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.

## 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 shares and underlying shares of the Company

*Ordinary shares of HK\$0.001 each 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 shares and underlying shares of associated corporation*

Name of Director	Name of associated corporation	Interest held by controlled corporation	Personal interest	Number of ordinary shares (long positions)		Approximate percentage of issued share capital of associated corporation
				Family interest	Total number of shares held in 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:*

Name	Interest in Shares	Nature of interest	Percentage of the Company's issued share capital
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 2011 (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 Disposal Agreement and the following deed:

A deed of termination and release dated 30 April 2010 entered into between Ms. Leung Chui Nam and Longday International Limited to terminate the agreement dated 15 September 2009 entered into between them in relation to the acquisition of the entire equity interests of Earnrich Group Limited and to release each other from their respective rights and obligations.



**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. 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 15 February 2012:

- 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 2010 and 2011;
- the published interim report of the Company for the six months ended 30 September 2011;
- 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 2011.

**9. 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, 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.