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CHAOYUE GROUP LIMITED

超越集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 147)

ANNOUNCEMENT

CONVERSION OF BONDS AND ISSUE OF WARRANTS

The Board would like to announce that on 29 June 2009, 430,000,000 Subscription Conversion Shares at the Conversion Price of HK\$0.15 per Subscription Conversion Share were issued to Long Grand upon their conversion of the Subscription Bonds in the aggregate principal amount of HK\$64,500,000.

In accordance with the terms and conditions of the Subscription Bonds, upon exercising the conversion rights attaching to the Subscription Bonds on 29 June 2009, on the same day, the Company issued by way of bonus 107,500,000 Subscription Warrants to Long Grand.

Reference is made to (i) the circular of Chaoyue Group Limited (the “**Company**”) dated 5 December 2007 (the “**Circular**”); (ii) the announcements of the Company dated 14 November 2007 and 27 December 2007 (collectively, the “**Announcements**”); (iii) the announcement of the Company dated 14 May 2009; and (iv) the monthly return of the Company on movement in securities dated 2 June 2009 (the “**Last Monthly Return**”). Unless the context herein otherwise requires, capitalised terms used in this announcement have the same meanings as defined in the Circular.

Conversion of Placing Bonds and Subscription Bonds

The Board would like to report that:

- (a) On 29 June 2009, 430,000,000 Subscription Conversion Shares at the Conversion Price of HK\$0.15 per Subscription Conversion Share were issued to Long Grand upon its conversion of the Subscription Bonds in the principal amount of HK\$64,500,000.
- (b) After conversion referred to in (a) there is no outstanding principal amount for the Subscription Bonds.
- (c) Other than the issue of 430,000,000 Subscription Conversion Shares, there was no new Shares issued pursuant to other transactions of the Company during the period commencing from 1 June 2009 up to the date of this announcement.

Change in the issued share capital of the Company during the period commencing from 1 June 2009 up to the date of this announcement:

| | Issued share capital at par value of HK\$0.01 (HK\$) | Number of issued Shares |
|--|---|------------------------------------|
| As at 1 June 2009 | 11,370,310.16 | 1,137,031,016 |
| Total number of Subscription Conversion Shares issued pursuant to the conversion of the Subscription Bonds | <u>4,300,000.00</u> | <u>430,000,000</u> |
| As at the date of this announcement | <u><u>15,670,310.16</u></u> | <u><u>1,567,031,016</u></u> |

Issue of Warrants

In accordance with the terms and conditions of the Subscription Bonds, following the conversion of the Subscription Bonds into 430,000,000 Subscription Conversion Shares, the Company has, on 29 June 2009, issued 107,500,000 Subscription Warrants to Long Grand conferring rights to subscribe up to HK\$16,125,000 in aggregate in cash for new Shares at an initial subscription price of HK\$0.15 per Share (subject to adjustment).

Effects on Shareholding Structure

Set out below is a table depicting the effects of the Subscription Conversion Shares, the Subscription Warrants and the Placing Warrants (collectively the “Warrants”) on the shareholding structure of the Company based on the issued share capital of the Company as at: (i) 1 June 2009; (ii) the date of this announcement; and (iii) upon exercise of the Warrants in full:

| | Shareholding as at 1 June 2009 | | As at the date of this announcement (after issue of Subscription Conversion Shares but before exercise of the Warrants) | | Upon issue of Subscription Conversion Shares and the exercise of the Warrants in full ⁽¹⁾ | |
|------------------------------|---|--------------------------|--|--------------------------|---|----------------------------|
| | <i>Number of Shares</i> | <i>Approximate %</i> | <i>Number of Shares</i> | <i>Approximate %</i> | <i>Number of Shares</i> | <i>Approximate %</i> |
| Long Grand | 651,247,388 | 57.28 | 1,081,247,388 | 69.00 | 1,288,747,388 ⁽²⁾ | 68.75 ⁽²⁾ |
| Other public Shareholders | <u>485,783,628</u> | <u>47.72</u> | <u>485,783,628</u> | <u>31.00</u> | <u>585,783,628⁽³⁾</u> | <u>31.25⁽³⁾</u> |
| Total | <u><u>1,137,031,016</u></u> | <u><u>100.00</u></u> | <u><u>1,567,031,016</u></u> | <u><u>100.00</u></u> | <u><u>1,874,531,016</u></u> | <u><u>100.00</u></u> |

Notes:

1. Assuming (i) that there is no change in the issued share capital of the Company from the date of this announcement to the date when the Warrants are exercised in full; and (ii) the subscription price of the Warrants is HK\$0.15 per Share.
2. Including 100,000,000 Subscription Warrants issued on 14 May 2009 and 107,500,000 Subscription Warrants issued at the date of this announcement. The Subscription Warrants conferring rights to Long Grand to subscribe up to HK\$31,125,000 in aggregate in cash for 207,500,000 Shares at an initial subscription price of HK\$0.15 per Share.
3. Including 100,000,000 Placing Warrants conferring rights to holders of the Placing Warrants to subscribe up to HK\$15,000,000 in aggregate in cash for 100,000,000 Shares at an initial subscription price of HK\$0.15 per Share.

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

Hong Kong, 29 June 2009

As at the date of this announcement, the Board comprises Mr. Yuen Leong as executive Director; and Ms. Chen Ye, Mr. Chan Wai Dune and Dr. Lam Man Kit, Dominic as independent non-executive Directors.