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CHAORYUE 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 report that on 14 May 2009, 400,000,000 Placing Conversion Shares at the Conversion Price of HK\$0.15 per Placing Conversion Share were issued to the Placing Bondholders upon their conversion of the Placing Bonds in the aggregate principal amount of HK\$60,000,000. In addition, 400,000,000 Subscription Conversion Shares were issued to Long Grand upon its conversion of the Subscription Bonds in the principal amount of HK\$60,000,000 on 14 May 2009.

In accordance with the terms and conditions of Placing Bonds and the Subscription Bonds, upon exercising the conversion rights attaching to the Placing Bonds and the Subscription Bonds on 14 May 2009, on the same day, the Company issued by way of bonus 100,000,000 Subscription Warrants to Long Grand and an aggregate of 100,000,000 Placing Warrants to holders of the Placing Conversion Shares.

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**”); and (iii) the monthly announcement of the Company dated 4 May 2009 relating to the outstanding Placing Bonds and the Subscription Bonds as at 30 April 2009. 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 14 May 2009, (i) 400,000,000 Placing Conversion Shares at the Conversion Price of HK\$0.15 per Placing Conversion Share were issued to the Placing Bondholders upon their conversion of the Placing Bonds in an aggregate principal amount of HK\$60,000,000; and (ii) 400,000,000

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\$60,000,000.

- (b) After conversion referred to in (a) there is no outstanding principal amount for the Placing Bonds and the outstanding principal amount of the Subscription Bonds is HK\$64,500,000.
- (c) Other than the issue of 400,000,000 Placing Conversion Shares and 400,000,000 Subscription Conversion Shares, there was no new Shares issued pursuant to other transactions of the Company during the period commencing from 1 May 2009 up to the date of this announcement.
- (d) Change in the issued share capital of the Company during the period commencing from 1 May 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 May 2009	3,370,310.16	337,031,016
Total number of Placing Conversion Shares issued pursuant to the conversion of the Placing Bonds	4,000,000.00	400,000,000
Total number of Subscription Conversion Shares issued pursuant to the conversion of the Subscription Bonds	<u>4,000,000.00</u>	<u>400,000,000</u>
As at the date of this announcement	<u><u>11,370,310.16</u></u>	<u><u>1,137,031,016</u></u>

Issue of Warrants

In accordance with the terms and conditions of the Placing Bonds and the Subscription Bonds, following the conversion of the Placing Bonds and Subscription Bonds into 400,000,000 Placing Conversion Shares and 400,000,000 Subscription Conversion Shares, respectively, the Company has on 14 May 2009, issued to the holders of the Placing Conversion Shares an aggregate of 100,000,000 Placing Warrants conferring rights to subscribe up to HK\$15,000,000 in aggregate in cash for new Shares at an initial subscription price of HK\$0.15 per Share (subject to adjustment) and 100,000,000 Subscription Warrants to Long Grand conferring rights to subscribe up to HK\$15,000,000 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 Conversion Shares and the Warrants granted to Long Grand and holders of the Placing Conversion Shares (the “**Relevant Warrants**”) on the shareholding structure of the Company based on the issued share capital of the Company as at: (i) 1 May 2009; (ii) the date of this announcement; and (iii) upon exercise of the Warrants in full:

	Shareholding as at 1 May 2009		As at the date of this announcement (after issue of Placing Conversion Shares and Subscription Conversion Shares but before exercise of the Relevant Warrants)		Upon issue of Placing Conversion Shares and Subscription Conversion Shares and the exercise of the Relevant Warrants in full ⁽²⁾	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Long Grand Holders of Placing Conversion Shares ⁽¹⁾	251,247,388	74.55	651,247,388	57.28	751,247,388	56.19
Holders of the Placing Warrants ⁽¹⁾	–	–	400,000,000	35.18	400,000,000	29.92
Other public Shareholders	85,783,628	25.45	85,783,628	7.54	85,783,628	6.41
Total	337,031,016	100.00	1,137,031,016	100.00	1,337,031,016	100.00

Note:

- To the best of the Directors’ knowledge, information and belief, and having made all reasonable enquiry, none of the Placing Bondholders and holders of the Placing Warrants is a connected person of the Group or holds more than 10% of the issued share capital of the Company at the relevant time. Hence, they will be treated as public Shareholders.
- 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 Relevant Warrants are exercised in full; and (ii) the subscription price of the Relevant Warrants is HK\$0.15 per Share.

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

Hong Kong, 14 May 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.