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CHAOYUE GROUP LIMITED

超越集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 147)

MAJOR TRANSACTIONS

IN RELATION TO THE PROVISION OF FINANCIAL ASSISTANCE TO AND THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF PARK WEALTH INTERNATIONAL LIMITED AND RESUMPTION OF TRADING

Successstime, a wholly-owned subsidiary of the Company, entered into the Loan Agreement dated 11 October 2008 with Park Wealth and agreed to provide the Facility in an aggregate principal amount of up to HK\$80,000,000 to Park Wealth. The Facility bears interest at the prime lending rate for HK\$ quoted by The Hongkong and Shanghai Banking Corporation Limited from time to time and is secured by (i) the guarantee executed by the Guarantors in favour of Successstime; and (ii) a share charge executed by each Vendor over the Sale Shares beneficially owned by such Vendor in favour of Successstime.

In addition, Successstime entered into the Agreement dated 11 October 2008 with the Vendors and the Guarantors, pursuant to which Successstime has conditionally agreed to acquire from the Vendors the Sale Shares, being 1,000 shares in Park Wealth, representing the entire issued share capital of Park Wealth, for an aggregate consideration of HK\$800,000,000 (subject to adjustment).

Park Wealth is an investment holding company whose principal asset is the holding of a 100% equity interest in Shanghai Comfort. The Shanghai Comfort Group is principally engaged in the manufacturing and sale of water purification system and production and installation of air purification and sewage treatment facilities.

The Consideration shall be satisfied by Successtime procuring the Company to allot and issue the Convertible Preference Shares with an aggregate face value of up to HK\$800,000,000 to the Vendors (or their nominees). The Consideration and the aggregate face value of the Convertible Preference Shares to be issued are subject to downward adjustment as described in this announcement. The Convertible Preference Shares are convertible into new Shares at the Conversion Price of HK\$4.0 per Share (subject to adjustments).

The provision of the Facility and the Acquisition each constitutes a major transaction for the Company under the Listing Rules. The provision of the Facility also constitutes an advance to entity which is required to be disclosed by the Company pursuant to Rule 13.13 of the Listing Rules. The Agreement, including the issue of the Convertible Preference Shares and the Conversion Shares, and the provision of the Facility are subject to the approval of the Shareholders at the special general meeting. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder is required to abstain from voting to approve the Acquisition and the provision of the Facility. Long Grand, which is beneficially interested in approximately 74.55% of the total issued Shares, has given written consent to the Acquisition and the provision of the Facility on 14 October 2008. The written consent from Long Grand is accepted in lieu of a resolution to be passed at a general meeting to approve the Acquisition and the provision of the Facility pursuant to Rule 14.44 of the Listing Rules.

A circular containing, among others, details of the Agreement and the Facility, an accountants' report on the Park Wealth Group and financial information on the Group will be sent to the Shareholders as soon as practicable.

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 13 October 2008 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 21 October 2008.

THE LOAN AGREEMENT

Date

11 October 2008

Parties

- (i) Park Wealth, as borrower; and
- (ii) Successtime, as lender.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Park Wealth and its associates are third parties independent of the Company and its connected persons. The Group has not entered into any previous transactions with Park Wealth or its associates which would otherwise require aggregation pursuant to Rule 14.22 of the Listing Rules.

Terms of the Facility

Pursuant to the Loan Agreement, Successtime has agreed to extend the Facility to Park Wealth on the following principal terms:

Facility Amount: Up to HK\$80,000,000

Availability period: The Facility shall be available for drawdown during the period from and including the date of the Loan Agreement to and including the earlier of (i) and (ii) below:

- (i) the date falling 3 months from the date of the Loan Agreement; and
- (ii) the date on which the Facility is fully drawdown, cancelled or terminated under the provisions of the Loan Agreement.

There shall not be 5 or more loans outstanding at any time.

Interest: Prime lending rate for HK\$ quoted from time to time by The Hongkong and Shanghai Banking Corporation Limited in Hong Kong

Interest payment: In arrear on a monthly basis on the last day of each calendar month until the Completion Date. If the Completion Date does not fall on a date which is the last day of a calendar month, the last interest payment (being interest accrued since the last day of the calendar month preceding the Completion Date until the Completion Date) is payable on the Completion Date.

Repayment:

- (i) If Completion does not take place by 31 March 2009, subject and without prejudice to the other terms of the Loan Agreement (other than paragraph (ii) below), the loan drawdown under the Facility, together with interest accrued thereon, shall be repaid on 1 April 2009.
- (ii) If Completion takes place on or before 31 March 2009, Park Wealth shall, subject and without prejudice to the other terms of the Loan Agreement (other than paragraph (i) above), repay the loans drawdown under the Facility in such manner and on such date as may be determined by Successtime at its sole and absolute discretion and notified by Successtime to Park Wealth in writing.

Security: The Facility is secured by:

- (i) the Guarantors executing a guarantee in favour of Successtime; and
- (ii) each Vendor executing a share charge in respect of the Sale Shares beneficially owned by it in favour of Successtime.

Usage: All amounts drawn under the Facility shall be applied towards the working capital of the Park Wealth Group.

Reasons for the Loan Agreement

The Company is an investment holding company. The Group is principally engaged in garment manufacturing and trading business.

As disclosed in the section headed "The Agreement" below, Successtime has entered into the Agreement and conditionally agreed to acquire the entire equity interest in Park Wealth. During the course of negotiation of the terms of the Agreement, Park Wealth indicated to Successtime that additional working capital is required to speed up the expansion of the business of the Shanghai Comfort Group. In light of this, Successtime agreed to provide the Facility to Park Wealth Group as an interim financing arrangement, pending the Completion.

The terms of the Loan Agreement including the interest rate and security have been negotiated by the parties based on arm's length negotiations. The Group will finance the Facility by its internal resources. The Directors (including the independent non-executive Directors) consider the terms of the Loan Agreement to be fair and reasonable and the entering into of the Loan Agreement is in the interest of the Company and the Shareholders as a whole.

THE AGREEMENT

Date

11 October 2008

Parties

- (i) Successtime, a wholly-owned subsidiary of the Company, as purchaser;
- (ii) Teamwon, as one of the Vendors;
- (iii) Sureguide, as one of the Vendors;
- (iv) Sure Achieve, as one of the Vendors;
- (v) Mr. Jorge Ernesto De Almeida, as guarantor to Teamwon;
- (vi) Mr. Yang Zhuoya, as guarantor to Sureguide; and
- (vii) Mr. Wong Kin San, as guarantor to Sure Achieve.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendors and their respective beneficial owners are third parties independent of the Company and its connected persons. The Group has not entered into any previous transactions with the Vendors or their respective associates which would otherwise require aggregation pursuant to Rule 14.22 of the Listing Rules.

The Vendors are investment holding companies. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for their interests as shareholders of Park Wealth through the Vendors, the beneficial owners of the Vendors are otherwise independent of each other.

Assets to be acquired

The Sale Shares, being 1,000 shares in Park Wealth, representing the entire issued share capital of Park Wealth.

Teamwon, Sureguide and Sure Achieve each holds 560 shares, 240 shares and 200 shares of Park Wealth, respectively as at the date of the Agreement.

Completion of all the Sale Shares shall take place simultaneously.

Information on the Park Wealth Group

Park Wealth was incorporated in the British Virgin Islands with limited liability on 23 May 2007. Park Wealth is an investment holding company whose principal asset is the holding of a 100% equity interest in Shanghai Comfort since March 2008. Shanghai Comfort is a company established under the laws of the PRC on 23 September 2005.

The business of the Shanghai Comfort Group comprises three divisions: the terminal water treatment department, the air purification department and the water engineering department. The terminal water treatment department produces water drinking machines with purification system for use in households, offices, factories, schools and hospitals. The purification system not only purifies tap water and filters all harmful substances but also improves the water quality by using an air-water mixing technology which helps to enrich the oxygen level in the water by releasing ozone, preventing fresh water from secondary pollutions. The drinking and purification machines manufactured by the Shanghai Comfort Group are leased to users who pay lease charges as well as service charges based on actual usage of purified water. The air purification department produces air filters and sterilizing equipments. At present, most of the air purification equipment manufactured by the Shanghai Comfort Group are sold to and installed at food processing factories, auto manufacturing plants and hospitals which require high standard of purification in their facilities. The water engineering department specializes in the area of industrial water use, sewage treatment, family use water treatment and reclaimed water reuse.

All the products of the Shanghai Comfort Group use the ozone and filtration technology which is developed by its in-house research and development team. The research and development team maintains close relationship and cooperation with famous universities and institutions in China to continuously research into product development and technology. The products of and technology used by the Shanghai Comfort Group have received wide recognition from various organisations. Based on the information made available to the Directors by the Vendors, the Shanghai Comfort Group has cooperated with certain authorized food suppliers for the 2008 Beijing Olympic Games by providing the ozone sterilization equipments to purify the food processing factories of these food suppliers. The Shanghai Comfort Group has also been contracted to provide air purification facilities to the research bases of an aerospace project in the PRC.

All the products of the Shanghai Comfort Group are manufactured in the production facilities of the Shanghai Comfort Group located in Shanghai and are sold under its own registered brand name of “Ozone Comfort” (浩澤•康福特). Sales offices have also been set up in major cities in the PRC including Beijing, Shanghai, Guangzhou, Shenzhen, Chengdu, Suzhou, Fuzhou, Xiamen, Handan, Xian, Liangjiang, Tianjin, Shenyang and Dongguan which provide sales and after-sale services for the products.

Neither Park Wealth nor Shanghai Comfort has prepared audited consolidated financial statements since their incorporation. For the period from 23 May 2007 (date of incorporation) to 31 December 2007, the unaudited profit (both before and after tax) of Park Wealth was HK\$0.16 million, which represents principally interest income net of incorporation expenses. Based on the unaudited combined accounts of the Shanghai Comfort Group prepared using general accepted accounting principles in the PRC, the Shanghai Comfort Group recorded net loss (both before and after tax) of approximately RMB4.0 million (equivalent to approximately HK\$4.5 million) for the year ended 31 December 2006 and RMB2.7 million (equivalent to approximately HK\$3.1 million) for the year ended 31 December 2007. For the eight months ended 31 August 2008, the Shanghai Comfort Group recorded unaudited combined profit before tax of approximately RMB17.193 million (equivalent to approximately HK\$19.5 million) and profit after tax of approximately RMB17.190 million (equivalent to approximately HK\$19.5 million). The unaudited combined profit before tax of the Park Wealth Group (including the results of the Shanghai Comfort Group since March 2008 prepared using generally accepted accounting principles in the PRC) for the eight months ended 31 August 2008 was approximately HK\$17.124 million, and the profit after tax for the same period was approximately HK\$17.121 million. The unaudited combined shareholders’ equity of the Park Wealth Group (including the Shanghai Comfort Group) as at 31 August 2008 is approximately HK\$25.0 million.

The Consideration

The Consideration for the Acquisition is HK\$800,000,000 (subject to adjustment as described in the paragraph headed “Profit Guarantee” below) and shall be satisfied by Successtime procuring the Company to allot and issue the Convertible Preference Shares with the same aggregate face value (subject to downward adjustment) to the Vendors (or their nominees).

The Consideration was arrived at after arm’s length negotiations between the parties and with reference to the profit attributable to equity holders of Shanghai Comfort as referred to above and after taking into account factors such as the growth potential of the business of Shanghai Comfort, the possible future earnings contribution to the Group and the Profit Guarantee set out below.

Profit Guarantee

Pursuant to the Agreement, the Vendors and the Guarantors undertook to procure Park Wealth to make available its management accounts for the year ending 31 December 2009 for audit purposes by a certified public accounting firm to be appointed by Successtime on or before 28 February 2010 and such audit shall be completed within 3 months after the provision of the management accounts of Park Wealth. The Vendors and the Guarantors further undertook to Successtime that the consolidated net profit after tax of the Park Wealth Group reported using general accepted accounting standards in Hong Kong and based on the aforesaid audit will not be less than HK\$100,000,000 for the year ending 31 December 2009 (the “Guaranteed Profit”). If the actual audited consolidated net profit after tax of the Park Wealth Group for the year ending 31 December 2009 (the “Actual Profit”) is less than the Guaranteed Profit, the aggregate face value of the Convertible Preference Shares to be issued shall be adjusted downwards in accordance with the formula set out below:

$$\text{Adjustment required} = \frac{\text{Guaranteed Profit} - \text{Actual Profit}}{\text{Guaranteed Profit}} \times \text{HK\$800,000,000}$$

Adjusted Consideration = HK\$800,000,000 less the adjustment required

Within 10 Business Days of the finalization of the Audited Profit and determination of the adjusted Consideration, the Company shall issue and deliver the Convertible Preference Shares to the Vendors (or their nominees) with aggregate face value equivalent to the Consideration or the adjusted Consideration as calculated above (if applicable). The Convertible Preference Shares shall be issued to the Vendors (or their nominees) in proportion to their shareholdings in the Sale Shares as at the date of the Agreement.

The Convertible Preference Shares

The principal terms of the Convertible Preference Shares to be issued by the Company will be as follows:

Face value: Up to HK\$800,000,000 (subject to adjustment)

Conversion and redemption: The Convertible Preference Shares are not redeemable.

Provided that (i) any conversion of the Convertible Preference Shares does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the relevant holder of the Convertible Preference Shares who exercises the conversion rights, whether or not such mandatory offer obligation is triggered by the fact that the number of Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Preference Shares and, if applicable, together with any Shares already owned or agreed to be acquired by such holder of Convertible Preference Shares

and/or parties acting concert with it, represents 30% or more (or such other percentage as stated in Rule 26 of the Takeovers Code in effect from time to time) of the then issued ordinary share capital of the Company or (ii) the shareholding in the Company held by the public will not be less than 25% or the minimum percentage as set out in Listing Rules from time to time or otherwise pursuant to other provisions of the Takeovers Code, the holder(s) of the Convertible Preference Shares shall have the right to convert the whole or any part (in an amount or integral multiple of HK\$400,000) into Shares at the Conversion Price of HK\$4.00 per Share, subject to customary anti-dilution adjustments, in the following manner:

- (i) up to 40% of the Convertible Preference Shares at any time during the period commencing from the first Business Day following the 2nd anniversary of the Completion Date until the 3rd anniversary of the Completion Date;
- (ii) up to 70% of the Convertible Preference Shares at any time during the period commencing from the first Business Day following the 3rd anniversary of the Completion Date until the 4th anniversary of the Completion Date; and
- (iii) all the remaining Convertible Preference Shares at any time after the first Business Day following the 4th anniversary of the Completion Date.

The adjustment events will arise as a result of certain changes in the share capital of the Company including consolidation or sub-division of shares, capitalization of profits or reserves, capital distributions in cash or specie or subsequent issue of securities, rights, options and warrants in the Company at a price per Share which is less than 90% of the then market price of the Shares. The adjustments shall be calculated in accordance with the terms and conditions of the Convertible Preference Shares and determined by an approved merchant bank or the auditors of the Company. The Conversion Price may not be adjusted or reduced so that the Conversion Price is lower than the par value of the Shares or, on conversion of the Convertible Preference Shares, Shares would fall to be issued at a discount to their par value. Details of the adjustments to the Conversion Price will be included in the circular to be despatched to the Shareholders in relation to the Acquisition.

Conversion Shares:

On the basis of the aggregate face value of HK\$800,000,000 and the Conversion Price of HK\$4.00, a total of 200,000,000 Conversion Shares will be issued upon full conversion of the Convertible Preference Shares.

Assuming there is no change in the issued share capital of the Company after Completion, a holder of the Convertible Preference Shares may exercise conversion rights attaching to Convertible Preference Shares up to a principal amount of approximately HK\$575,022,148, such that a total of 143,755,537 Conversion Shares (as to 80,503,101 Conversion Shares to Teamwon; as to 34,501,329 Conversion Shares to Sureguide and as to 28,751,107 Conversion Shares to Sure Achieve) shall be issued at the initial Conversion Price of HK\$4.00 each without triggering any general offer obligation on the part of the relevant Convertible Preference Shares holder. In this scenario, there will not be less than 25% of the Shares in public hands.

The Conversion Shares shall upon issue rank pari passu in all respects with the then issued Shares.

Listing:

No application will be made for the listing of the Convertible Preference Shares on any stock exchange. Application will be made for the listing of and permission to deal in the Conversion Shares on the Stock Exchange.

Voting:

Holder(s) of the Convertible Preference Shares shall not be entitled to vote at any general meetings of the Company by reason only of it being a holder of the Convertible Preference Shares, but holder(s) of the Convertible Preference Shares shall be entitled to receive notices of general meetings of the Company and to attend the same.

Ranking:

The Convertible Preference Shares shall rank equally among themselves and pari passu with all other issued Shares in respect of the right to any dividends and distributions declared.

In the event of liquidation, dissolution or winding up, or merger, reorganization, disposal of the whole or substantially the whole of the Company's business resulting in any distribution of assets of the Company, the holders of the Convertible Preference Shares will receive an amount equal to 100% of the face value of the Convertible Preference Shares in issue before a return of capital is made to the holders of the Shares. Thereafter, the remaining assets of the

Company will be distributed to the Shareholders and holders of Convertible Preference Shares pro-rata on an as-if-converted basis. Save as described herein, holders of the Convertible Preference Shares are not entitled to any return of capital.

Transferability:

The Convertible Preference Shares shall not be transferred without the prior written consent of the Company, except for a transfer to subsidiaries or holding company or fellow subsidiaries of the holders. The Convertible Preference Shares may not be transferred, without the prior written consent of the Company, to any connected person of the Company. The Company undertakes to the Stock Exchange that it will notify the Stock Exchange immediately upon becoming aware of any dealings in the Convertible Preference Shares by any connected persons of the Company.

The maximum of 200,000,000 Conversion Shares to be issued upon full conversion of the Convertible Preference Shares represent approximately 59.34% of the existing share capital of the Company, and approximately 37.24% of the issued share capital of the company as enlarged by the issue of the Conversion Shares. The Conversion Shares will be issued subject to a specific mandate to be sought from the Shareholders.

The Conversion Price

The Conversion Price of HK\$4.0 per Share represents:

- (i) a premium of approximately 99.0% over the closing price of HK\$2.01 per Share as quoted on the Stock Exchange on 10 October 2008, being the last trading day prior to the suspension of trading in the Shares on 13 October 2008 pending the release of this announcement;
- (ii) a premium of approximately 39.4% over the average of the closing prices of HK\$2.87 per Share as quoted on the Stock Exchange over the last five consecutive trading days up to and including 10 October 2008;
- (iii) a premium of approximately 32.0% over the average of the closing prices of HK\$3.03 per Share as quoted on the Stock Exchange over the last 10 consecutive trading days up to and including 10 October 2008; and
- (iv) a premium of approximately 1,804.8% over the audited consolidated net assets of the Company of HK\$0.21 per Share as at 31 March 2008.

Conditions of the Agreement

The Agreement is subject to and conditional upon the fulfillment or waiver of the following conditions on or before 31 December 2008 (or such later date as shall be agreed among the parties to the Agreement):

- (i) Successtime and the Company being satisfied with the results of the due diligence review on the assets, operations, financial positions, prospects and other affairs of the Park Wealth Group, including but not limited to (i) the receipt of a legal opinion (in such form and substance to the satisfaction of Successtime) issued by lawyers on British Virgin Islands laws covering matters on, among other things, the due incorporation and subsistence of Park Wealth, and legal title and transferability of the Sale Shares; (ii) the receipt of a legal opinion (in such form and substance to the satisfaction of Successtime) issued by PRC lawyers covering matters on, among other things, the due establishment and subsistence, the legality of ownership of assets and business operations of members of the Park Wealth Group which are established in the PRC; and (iii) the receipt of the audited accounts of each of the members of the Park Wealth Group for the past three years or such other period of time as approved by Successtime in such form and substance to the satisfaction of Successtime;
- (ii) the Agreement and the transactions contemplated hereunder, including but not limited to (i) the allotment and issue of the Convertible Preference Shares and the Conversion Shares; and (ii) the reclassification of the capital of the Company to create the Convertible Preference Shares as a new class of shares of the Company having been approved by the Shareholders at a general meeting of the Company (if required by the Listing Rules) or by way of Shareholders' written resolutions (if applicable);
- (iii) the approval of the Bermuda Monetary Authority of the issue of the Convertible Preference Shares and the Conversion Shares by the Company;
- (iv) Successtime having obtained the duly executed non-competition undertaking set out in the Agreement from certain directors and senior management members of the Park Wealth Group (in the form and substance satisfactory to Successtime);
- (v) all the representations and warranties contained in the Agreement remain true, accurate and not misleading in all respects;
- (vi) Successtime having obtained the duly executed service contracts from certain directors and senior management members of the Park Wealth Group executing for a term of not less than five years in the form and content satisfactory to Successtime; and
- (vii) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Conversion Shares.

Successtime shall have the right to waive conditions (i), (iv) and (vi). An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

If any of the above conditions have not been fulfilled (or as the case may be, waived by Successtime) on or before 31 March 2009, the rights and obligations of the parties under the Agreement shall lapse and be of no further effect save for antecedent breaches.

Completion is to take place on the third Business Day following the day on which the conditions referred to above are fulfilled or waived by Successtime (as the case may be).

Other terms

Successtime has the right to require the Vendors to acquire or dispose of any member of the Park Wealth Group which is incorporated in the PRC based upon its due diligence findings prior to Completion. The Guarantors undertake and guarantee that such acquisition or disposal, if required, will be completed on or before the Completion Date. The consideration for and payment terms of the Acquisition are not subject to adjustments if such acquisition or disposal is required by Successtime.

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is a summary of the shareholding in the Company (i) as at the date of this announcement; (ii) immediately after the issue of the Convertible Preference Shares; (iii) upon full conversion of the Convertible Preference Shares at the Conversion Price of HK\$4.0 (subject to adjustments), each prepared on the basis that there would be no changes in the issued share capital of the Company after the date of this announcement other than as stated in each scenario. However, Shareholders should take note that the analysis under scenario (iii) is shown for illustration purpose only and will not materialise, for the reason that the Vendors would otherwise together hold approximately 37.24% of the enlarged issued share capital of the Company in that scenario, thus exceeding the threshold of 30% and triggering a mandatory general offer obligation under the present provisions of the Takeovers Code. However, the terms and conditions of the Convertible Preference Shares stipulate that the conversion rights attaching to the Convertible Preference Shares may be converted by the holder thereof into Shares **provided that** such conversion does not trigger a mandatory offer obligation on the part of the holder of the Convertible Preference Shares who exercises the conversion right.

	As at the date of this announcement		Immediately after issue of the Convertible Preference Shares		Upon full conversion of the Convertible Preference Shares (Note 1 & 3)	
	Shares	%	Shares	%	Shares	%
Long Grand	251,247,388	74.55	251,247,388	74.55	251,247,388	46.79
Teamwon	–	–	–	–	112,000,000	20.86
Sureguide (Note 3)	–	–	–	–	48,000,000	8.94
Sure Achieve (Note 3)	–	–	–	–	40,000,000	7.45
Other public Shareholders	<u>85,784,828</u>	<u>25.45</u>	<u>85,784,828</u>	<u>25.45</u>	<u>85,784,828</u>	<u>15.97</u>
	<u><u>337,032,216</u></u>	<u><u>100.00</u></u>	<u><u>337,032,216</u></u>	<u><u>100.00</u></u>	<u><u>537,032,216</u></u>	<u><u>100.00</u></u>
	<i>Convertible Preference Shares</i>	<i>%</i>	<i>Convertible Preference Shares</i>	<i>%</i>	<i>Convertible Preference Shares</i>	<i>%</i>
Teamwon	–	–	112,000,000	56.00	–	–
Sureguide (Note 3)	–	–	48,000,000	24.00	–	–
Sure Achieve (Note 3)	–	–	40,000,000	20.00	–	–
	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>200,000,000</u></u>	<u><u>100.00</u></u>	<u><u>–</u></u>	<u><u>–</u></u>

Notes:

- (1) Pursuant to the terms and conditions of the Convertible Preference Shares, holder(s) of the Convertible Preference Shares may convert all or part of the Convertible Preference Shares provided that the issue of the relevant Conversion Shares to it/them (i) shall not trigger any general offer obligation on the part of the relevant holders of the Convertible Preference Shares who convert the Convertible Preference Shares; and (ii) the shareholding in the Company held by the public will not be less than 25% or the minimum percentage as set out in Listing Rules from time to time. For further details, see the paragraph headed “The Convertible Preference Shares” above. Accordingly, this column is shown for illustration only and this scenario will not materialise.
- (2) A holder of the Convertible Preference Shares may exercise conversion rights attaching to Convertible Preference Shares up to a principal amount of approximately HK\$575,022,148, such that a total of 143,755,537 Conversion Shares (as to 80,503,101 Conversion Shares to Teamwon; as to 34,501,329 Conversion Shares to Sureguide and as to 28,751,107 Conversion Shares to Sure Achieve) shall be issued at the Conversion Price of HK\$4.0 (which shall represent 29.90% of the then enlarged issued share capital of the Company) without triggering any general offer obligation on the part of the relevant Convertible Preference Shares holder under the existing provisions of the Takeovers Code.

- (3) As the shareholding of each of Sureguide and Sure Achieve is below 10% and Sureguide and Sure Achieve are independent of the connected persons of the Company, Sureguide and Sure Achieve will be regarded as public Shareholders and their shareholdings will be counted towards public float. Under this scenario, there will be not less than 25% of the Shares in the public hands.

REASONS FOR THE ACQUISITION

The Company is an investment holding company. The Group is principally engaged in garment manufacturing and trading business. In September 2007, Long Grand became the controlling Shareholder through the acquisition of 81,246,188 Shares from Rich Wing Investments Limited and the subscription of new Shares and convertible bonds in the Company. In conjunction with this, the Company also issued convertible bonds to independent third parties through a placing agent, raising in total of approximately HK\$208 million new capital for the Group. Following this transaction and the disposal of its non-core business of the development, production and distribution of health food and supplement products in the PRC, the Group has maintained significant investment fund and has been seeking investment projects with high growth potential to maximize value of the Company.

The Directors consider that the growth potential of water and air purification business in the PRC is immense. In 2003, the Ministry of Health of the PRC implemented 食品安全行動計劃 (Food Safety Action Plan*) which stipulates, among other things, hygiene standard in food production and processing. Subsequently, 中華人民共和國食品安全法 (草案) (Draft Food Safety Law*) was passed in October 2007 and as a result of these policies and rules, it is expected that food manufacturers and processors will be required to install additional purification system to improve the hygiene and sterilization facilities in order to meet the new standard. In addition, the State Council released the 節能減排綜合性工作方案 (Comprehensive Working Scheme for Energy Conservation and Reduction of Pollution*) in June 2007 which is expected to promote investment in water and sewage treatment and infrastructure in the next 2 to 3 years. The Directors consider that the above policies will create demand for the products of the Shanghai Comfort Group from industrial users. On the other hand, the general public in the PRC has become increasingly affluent and more conscious about safety of food and beverages. It is expected that water purification equipment for domestic use will become more popular in the PRC, catching up with the high penetration rate in other developed countries such as the United States. Based on the sales record of the Shanghai Comfort Group, installation of water purification machines to household units or residential estates has increased significantly from over 5,000 units in the year of 2007 to over 25,000 units in the first 8 months of 2008. The Directors are optimistic about the prospects of the business and consider the Acquisition is in line with the strategy of the Group in investing in business with high growth potential.

Following Completion, members of the Park Wealth Group shall become wholly-owned subsidiaries of the Company subject to the term set out in the sub-paragraph headed “Other terms” and their results will be consolidated into the accounts of the Group.

The Consideration of HK\$800,000,000 for the Sale Shares represents price-earnings multiple of 8 times the Guaranteed Profit for the year ending 31 December 2009. Taking into account of the market potentials of the Shanghai Comfort Group and the possible earnings contribution to the Group in the future on the basis of the Guaranteed Profit, the Directors (including the independent non-executive Directors) consider the Consideration payable for the Acquisition is fair and reasonable.

It is intended that following Completion, the Group will continue to engage in its existing principal garment manufacturing and trading business and be diversified into the development, manufacturing and sale of purification equipment business of the Park Wealth Group. There is no provision contained in the Agreement which gives the right for the Vendors to nominate Directors as a result of the Acquisition and the Company at present does not intend to change the composition of the Board immediately after Completion. The Company may, depending on the business requirement after Completion, consider appointing suitable candidates to the management team or the Board with appropriate experience and expertise to supervise the diversified business of the Group.

The Directors (including independent non-executive Directors) consider the terms of the Agreement to be fair and reasonable as far as the Shareholders are concerned and that the Agreement is in the interests of the Company and its Shareholders as a whole.

GENERAL

The provision of the Facility constitutes a major transaction for the Company under the Listing Rules and an advance to entity which is required to be disclosed by the Company pursuant to Rule 13.13 of the Listing Rules. The Acquisition was initially considered and classified as a very substantial acquisition as specified in the Company's suspension announcement dated 13 October 2008. After further consideration, the Acquisition was eventually classified as a major transaction for the Company under the Listing Rules. The Agreement, including the issue of the Convertible Preference Shares and the Conversion Shares, and the provision of the Facility, are subject to the approval of the Shareholders at the special general meeting. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder is required to abstain from voting to approve the Acquisition and the provision of the Facility. Long Grand, which is beneficially interested in approximately 74.55% of the total issued Shares, has given written consent to the Acquisition and the provision of the Facility on 14 October 2008. The written consent from Long Grand is accepted in lieu of a resolution to be passed at a general meeting to approve the Acquisition and the provision of the Facility pursuant to Rule 14.44 of the Listing Rules.

A circular containing, among others, details of the Agreement and the Facility, an accountants' report on the Park Wealth Group and the financial information of the Group will be dispatched to the Shareholders as soon as practicable.

As Completion is subject to the fulfillment of a number of conditions precedent, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 13 October 2008 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 21 October 2008.

DEFINITIONS

In this announcement, the following terms have the following meanings:

“Acquisition”	the proposed acquisition of the Sale Shares by Successtime for a total consideration of HK\$800,000,000 (subject to adjustment) pursuant to the Agreement
“Agreement”	the sale and purchase agreement dated 11 October 2008 entered into between Successtime, the Vendors, Mr. Jorge Ernesto De Almeida, Mr. Yang Zhuoya and Mr. Wong Kin San in relation to the Acquisition
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	board of Directors
“Business Day”	a day (other than a Saturday or a Sunday) on which banks are open for general business in Hong Kong
“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 (stock code: 147)
“Completion”	completion of the Agreement
“Completion Date”	the date on which Completion takes place
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration of HK\$800,000,000 (subject to adjustment) payable by Successtime for the Acquisition and to be satisfied in the manner as described in this announcement
“Conversion Price”	the initial conversion price of the Convertible Preference Shares, being HK\$4.0 per Share (subject to adjustments)
“Conversion Shares”	up to 200,000,000 new Shares which may fall to be issued upon full conversion of the Convertible Preference Shares at the Conversion Price of HK\$4.0 (subject to adjustments)
“Convertible Preference Shares”	the non-redeemable convertible preference shares with aggregate face value of up to HK\$800,000,000 to be issued by the Company in favour of the Vendors to satisfy the Consideration

“Directors”	directors of the Company
“Facility”	the facility in an aggregate principal amount of up to HK\$80,000,000 to be made available by Successtime to Park Wealth pursuant to the terms and conditions of the Loan Agreement
“Group”	the Company and its subsidiaries
“Guaranteed Profit”	has the meaning ascribed thereto in the paragraph headed “Profit Guarantee” in the section headed “The Agreement” in this announcement
“Guarantors”	Mr. Jorge Ernesto De Almeida, Mr. Yang Zhuoya and Mr. Wong Kin San, being the beneficial owners of Teamwon, Sureguide and Sure Achieve respectively
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreement”	the agreement dated 11 October 2008 entered into between Park Wealth and Successtime relating to the provision of the Facility by Successtime to Park Wealth
“Long Grand”	Long Grand Limited, a company incorporated in the British Virgin Islands and the controlling Shareholder which is owned as to 30% by Mr. Yuen Leong (an executive Director) and 70% by Mr. Yam Yu
“Park Wealth”	Park Wealth International Limited, a company incorporated in the British Virgin Islands with limited liability
“Park Wealth Group”	Park Wealth and its subsidiaries
“PRC”	the People’s Republic of China
“Sale Shares”	1,000 shares of US\$1.00 each in the capital of Park Wealth beneficially owned by the Vendors, representing the entire issued share capital of Park Wealth
“Shanghai Comfort”	上海康福特環境科技有限公司 (Shanghai Comfort Environment and Science Co., Ltd.*), a company established under the laws of the PRC, whose equity capital is held as to 56% by Teamwon, as to 24% by Sureguide and as to 20% by Sure Achieve

“Shanghai Comfort Group”	Shanghai Comfort and its subsidiaries
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Successtime”	Successtime Limited, a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands with limited liability
“Sure Achieve”	Sure Achieve Limited, a company incorporated in the British Virgin Islands and is wholly and beneficially owned by Mr. Wong Kin San
“Sureguide”	Sureguide Limited, a company incorporated in the British Virgin Islands and is wholly and beneficially owned by Mr. Yang Zhuoya
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Teamwon”	Teamwon Limited, a company incorporated in the British Virgin Islands and is wholly and beneficially owned by Mr. Jorge Ernesto De Almeida
“Vendors”	Teamwon, Sureguide and Sure Achieve
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

By order of the Board
Yuen Leong
Executive Director

Hong Kong, 20 October 2008

* *The English translation of the name is for identification purpose only.*

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.

For illustration purposes, figures in RMB in this announcement have been translated into HK\$ at the exchange rate of RMB1 = HK\$1.136.