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CHAORYUE GROUP LIMITED

超越集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 00147)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2016

The board of directors (the “Board”) of Chaoyue Group Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2016 (the “reporting year”), together with the comparative figures for the corresponding period of 2015, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2016

	<i>NOTES</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue	4	176,996	2,424
Cost of sales and services		(398,429)	(2,085)
Gross (loss) profit		(221,433)	339
Other income, gains and losses	5	19,842	(2,045)
Selling expenses		(21,972)	(15)
Administrative expenses		(36,647)	(21,556)
Expenses on very substantial acquisition		–	(8,221)
Impairment loss on goodwill		–	(172,707)
Share of results of associates		–	(24,236)
Finance costs		(27,276)	–
Loss before taxation		(287,486)	(228,441)
Income tax credit	6	69,552	–
Loss for the year	7	(217,934)	(228,441)
Other comprehensive income (expense) for the year			
Item that will not be reclassified subsequently to profits or losses:			
Exchange differences arising on translation		(651)	815
Total comprehensive expense for the year		(218,585)	(227,626)

	<i>NOTES</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loss for the year attributable to:			
— Owners of the Company		(161,159)	(223,794)
— Non-controlling interests		(56,775)	(4,647)
		<u>(217,934)</u>	<u>(228,441)</u>
Total comprehensive expense attributable to:			
— Owners of the Company		(158,121)	(223,073)
— Non-controlling interests		(60,464)	(4,553)
		<u>(218,585)</u>	<u>(227,626)</u>
Loss per share	8		
Basic and diluted (<i>HK cents</i>)		<u>(0.85)</u>	<u>(1.18)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2016

	<i>NOTES</i>	2016 HK\$'000	2015 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		3,739	3,406
Interests in associates		–	–
Long term receivables		102,579	–
Finance lease receivables		423	–
Deferred tax assets		44,392	55,573
Land development expenditure	9	274,176	301,500
		425,309	360,479
CURRENT ASSETS			
Properties for sale	10	2,384,983	2,044,935
Trade and other receivables	11	187,890	319,798
Amount due from ultimate holding company		–	39
Finance lease receivables		125	–
Restricted/pledged bank deposits		3,199	395,479
Bank balances and cash		36,567	196,523
		2,612,764	2,956,774
CURRENT LIABILITIES			
Trade and other payables	12	534,015	718,700
Deposits received for sale of properties		1,150,300	755,696
Borrowings – due within one year	13	114,229	1,562,275
Amount due to non-controlling interests		58,654	73,526
Amount due to ultimate holding company		2,296	–
Tax liabilities		33,084	42,395
		1,892,578	3,152,592
NET CURRENT ASSETS (LIABILITIES)		720,186	(195,818)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,145,495	164,661

	<i>NOTES</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		–	81,125
Borrowings – due after one year	<i>13</i>	1,278,139	–
Deferred revenue		2,405	–
		<u>1,280,544</u>	<u>81,125</u>
NET (LIABILITIES) ASSETS		<u>(135,049)</u>	<u>83,536</u>
CAPITAL AND RESERVES			
Share capital		19,039	19,039
Reserves		(174,023)	(15,902)
Equity attributable to owners of the Company		(154,984)	3,137
Non-controlling interests		19,935	80,399
(TOTAL DEFICIENCY OF EQUITY) TOTAL EQUITY		<u>(135,049)</u>	<u>83,536</u>

Notes:

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The immediate and ultimate holding company is Long Grand Limited, a company incorporated in the British Virgin Islands (the “BVI”), which is owned by Mr. Yam Yu and Mr. Yuen Leong (a director and Chief Executive of the Company) of 70% and 30%, respectively. The address of the registered office and principal place of business of the Company is disclosed in the corporate information section of the annual report.

The functional currency of the Company is Renminbi (“RMB”) as the Group’s operation is mainly in the People’s Republic of China (the “PRC”). As the shares of the Company are listed in the Stock Exchange, for the convenience of the financial statements users, the results and financial position of the Group are expressed in Hong Kong dollar (“HK\$”), the presentation currency for the consolidated financial statements.

2. BASIS OF PREPARATION

The Group incurred a loss of HK\$217,934,000 for the year ended 31 March 2016 and the Group’s total liabilities exceed its total assets by approximately HK\$135,049,000 as at 31 March 2016. The directors of the Company are of the opinion that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future after taking into account the Group’s internally generated funds. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

Amendments to HKAS 19	Defined Benefit Plans: Employee contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and on the disclosures set out in these consolidated financial statements.

The Group has not early applied the new and revised HKFRSs that have been issued but are not yet effective.

4. REVENUE AND SEGMENT INFORMATION

The segment information reported externally were property development rendered by 柳州正和樺桂置業集團有限公司 (Liuzhou Zhenghe Huagui Real Estate Group Company Limited) (“Liuzhou Zhenghe”)* and its subsidiaries, consultancy and trading activities rendered by United (Fujian) Corporate Management Limited (“United Fujian”), subsidiaries of the Company, which is consistent with the internal information that are regularly reviewed by the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of performance. This is also the basis of organisation in the Group, whereby the directors have chosen to organise the Group around differences in products and services.

The Group has three operating and reportable segments under HKFRS 8 as follows:

- Property development — Developing and selling of commercial and residential properties, including undertaking of primary land development activities, in the PRC
- Consultancy services — Provision of corporate management consultancy services (such as business development related to business acquisition and investment opportunities studies, system development related to internal control and computer system development and human resource services) mainly in the PRC
- Trading of goods — Sales of wines

Segment revenue and results

The following is an analysis of the Group’s revenue and results by operating and reportable segments for the years ended 31 March 2016 and 2015.

For the year ended 31 March 2016

	Property development <i>HK\$’000</i>	Consultancy services <i>HK\$’000</i>	Trading of goods <i>HK\$’000</i>	Elimination <i>HK\$’000</i>	Total <i>HK\$’000</i>
REVENUE					
External sales	174,715	1,735	546	–	176,996
Inter-segment sales	–	867	–	(867)	–
Segment revenue	<u>174,715</u>	<u>2,602</u>	<u>546</u>	<u>(867)</u>	<u>176,996</u>
Segment (loss) profit	(261,290)	(750)	405	–	(261,635)
Unallocated income					601
Unallocated corporate expenses					(44,257)
Interest income					<u>17,805</u>
Loss before taxation					<u><u>(287,486)</u></u>

For the year ended 31 March 2015

	Property development <i>HK\$'000</i>	Consultancy services <i>HK\$'000</i>	Trading of goods <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
REVENUE					
External sales	–	2,337	87	–	2,424
Inter-segment sales	–	1,189	–	(1,189)	–
Segment revenue	–	3,526	87	(1,189)	2,424
Segment loss	(172,707)	(1,403)	(1,535)	–	(175,645)
Unallocated income					140
Unallocated corporate expenses					(29,472)
Share of results of associates					(24,236)
Interest income					772
Loss before taxation					(228,441)

Note: Inter-segment services are charged at prevailing market rates.

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. Segment results represent the results from each segment without allocation of central administration costs including directors' emoluments, interest income, and share of results of associates. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segment as at 31 March 2016 and 2015.

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
ASSETS		
<i>Segment assets</i>		
Assets for operating and reportable segments		
Property development	2,859,572	3,111,407
Consultancy services	605	–
Total segment assets	2,860,177	3,111,407
Unallocated assets		
Long term receivables	102,579	–
Bank balances and cash	36,567	196,523
Others	38,750	9,323
Total unallocated assets	177,896	205,846
Consolidated total assets	3,038,073	3,317,253

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
LIABILITIES		
<i>Segment liabilities</i>		
Liabilities for operating and reportable segments		
Property development	(3,144,740)	(3,224,320)
Consultancy services	–	(2,221)
	<u>(3,144,740)</u>	<u>(3,226,541)</u>
Total segment liabilities	<u>(3,144,740)</u>	<u>(3,226,541)</u>
Unallocated liabilities		
Others	(28,382)	(7,176)
	<u>(28,382)</u>	<u>(7,176)</u>
Consolidated total liabilities	<u><u>(3,173,122)</u></u>	<u><u>(3,233,717)</u></u>

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than bank balances and cash, interests in associates, long-term receivables and other assets not attributable to respective segments; and
- all liabilities are allocated to operating segments other than other payables not attributable to respective segments.

Other segment information

For the year ended 31 March 2016

Amounts included in the measure of segment profit or loss or segment assets:

	Property development <i>HK\$'000</i>	Consultancy services <i>HK\$'000</i>	Trading of goods <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Addition to property, plant and equipment	75	5	–	2,344	2,424
Gain on disposal of property, plant and equipment	533	–	–	–	533
Depreciation of property, plant and equipment	456	1	–	1,321	1,778
Impairment on properties for sale (included in cost of sales and services)	<u>154,524</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>154,524</u>

For the year ended 31 March 2015

Amounts included in the measure of segment profit or loss or segment assets:

	Property development <i>HK\$'000</i>	Consultancy services <i>HK\$'000</i>	Trading of goods <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Addition to property, plant and equipment	1,078	–	–	2,447	3,525
Depreciation of property, plant and equipment	–	211	–	119	330
Impairment on property, plant and equipment	–	1,490	–	–	1,490
Impairment on goodwill	172,707	–	–	–	172,707
Provision for bad and doubtful debts	–	1,258	–	–	1,258
Gain on disposal of property, plant and equipment	–	37	–	–	37
Allowance for inventories	–	–	660	–	660

Information about geographical areas

The Group's operations are principally located in the PRC (country of domicile). All revenue from external customers were generated from customers in the PRC. All non-current assets of the Group are mainly located in the PRC.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follow:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Customer A (<i>note i</i>)	23,637	–
Customer B (<i>note ii</i>)	N/A	1,168
Customer C (<i>note ii</i>)	N/A	1,169

Note i: Revenue from property development.

Note ii: Revenue from consultancy services contributing less than 10% during the year ended 31 March 2016 while over 10% during the year ended 31 March 2015.

Information about products and services

An analysis of the Group's revenue for the year is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Property development	174,715	–
Consultancy services	1,735	2,337
Trading of goods	546	87
	<u>176,996</u>	<u>2,424</u>

5. OTHER INCOME, GAINS AND LOSSES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest income	17,805	772
Investment income	1	103
Financial lease income	67	–
Net exchange gain (loss)	1,162	(197)
Provision for bad and doubtful debts	–	(1,258)
Impairment loss on property, plant and equipment	–	(1,490)
Gain on disposal of property, plant and equipment	533	37
Others	274	(12)
	<u>19,842</u>	<u>(2,045)</u>

6. INCOME TAX

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current tax in the PRC		
PRC Enterprise Income Tax (“EIT”)	2,568	–
PRC Land Appreciation Tax (“LAT”)	13,882	–
Over provision of LAT in prior years	(16,060)	–
	<u>390</u>	<u>–</u>
Deferred tax	(69,942)	–
	<u>(69,552)</u>	<u>–</u>

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the income of the Group neither arises in nor is derived from Hong Kong.

The PRC EIT is calculated based on the applicable tax rate on assessable profits, if applicable. The applicable EIT rate for the Company's PRC subsidiaries during the year ended 31 March 2016 is 25% (2015: 25%).

7. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Directors' emoluments	2,178	1,818
Other staff salaries, wages and allowances	14,797	7,902
Other staff retirement benefit scheme contributions	653	365
	<u>17,628</u>	<u>10,085</u>
Total staff costs		
Less: staff costs capitalised in properties for sale	<u>(1,697)</u>	<u>–</u>
	<u>15,931</u>	<u>10,085</u>
Cost of inventories recognised as expenses in respect of properties sold in current year	187,128	2,085
Additional cost of sales recognised in respect of properties sold in prior years	56,777	–
Auditor's remuneration	1,550	1,400
Depreciation of property, plant and equipment	1,778	330
Impairment losses on property, plant and equipment	–	1,490
Impairment losses on properties for sale (included in cost of sales and services)	154,524	–
Allowance for inventories (included in cost of sales and services)	–	660
Rental expenses in respect of rented premises	6,296	5,133
	<u>19,039,072,320</u>	<u>19,039,072,320</u>

8. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	<u>(161,159)</u>	<u>(223,794)</u>
Number of shares for the purposes of basic and diluted loss per share	<u>19,039,072,320</u>	<u>19,039,072,320</u>

The computation of diluted loss per share does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price of the shares for 2015.

9. LAND DEVELOPMENT EXPENDITURE

In 2009, 柳州華桂房地產開發有限公司 (Liuzhou Huagui Property Development Co., Ltd.) (“Liuzhou Huagui”)*, 30% equity holder of Liuzhou Zhenghe, entered into an agreement with Liuzhou Dongcheng Investment & Development Co., Ltd. (“Dongcheng Investment”) relating to the joint development of a primary land development project of Liuzhou Industrial Projects Exhibition Center (the “Project”), and the Project was subsequently transferred from Liuzhou Huagui to Liuzhou Zhenghe in 2010, pursuant to an tripartite agreement signed among Liuzhou Huagui, Dengcheng Investment and Liuzhou Zhenghe.

According to the agreement, Liuzhou Zhenghe is mainly responsible for financing and supervising the development of land under the Project. Under the agreement, upon the successful auction of the parcels of land developed under the Project, Liuzhou Zhenghe is entitled to receive an amount based on its land development costs incurred and a 50% profit sharing after deducting all related taxes, selling expenses and an agreed amount of RMB250,000 per acre of land if selling price from the auction is over RMB250,000 per acre and such auction price can cover all costs incurred. Liuzhou Zhenghe is also required to bear the loss if the proceeds from the public auction cannot fully recover the land development cost already incurred by Liuzhou Zhenghe. Land development expenditure is stated at costs less impairment as the Group expect that it would be successful in securing the parcels of land being developed upon the land being put for auction for sale. It is expected that the respective parcel of land will be put for auction after one year.

During the year, land development cost amounted to approximately RMB9,500,000 (equivalent to approximately HK\$11,423,000) was received from Dongcheng Investment in cash.

10. PROPERTIES FOR SALE

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Completed properties for sale	295,499	317,339
Properties under development for sale	<u>2,089,484</u>	<u>1,727,596</u>
	<u>2,384,983</u>	<u>2,044,935</u>
Carrying amount of properties under development for sale expected to be completed:		
Within one year	402,747	267,000
After one year	<u>1,686,737</u>	<u>1,460,596</u>
	<u>2,089,484</u>	<u>1,727,596</u>

As at 31 March 2016, certain properties for sale with carrying amount of approximately HK\$681,951,000 (2015: HK\$580,243,000) were pledged to secure certain bank borrowings granted to the Group.

11. TRADE AND OTHER RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade receivables	5,493	1,817
Less: allowance for doubtful debts	<u>(1,202)</u>	<u>(1,258)</u>
	4,291	559
Other receivables and prepayments		
Other deposits (<i>note a</i>)	12,581	25,724
Prepayments for construction work	81,776	216,316
Other tax prepayment	19,881	9,334
Staff advances	1,299	657
Interest receivables	–	10,478
Other receivables (<i>note b</i>)	32,757	3,276
Other prepayment	2,843	3,865
Amounts due from third parties (<i>note c</i>)	<u>32,462</u>	<u>49,589</u>
Total trade and other receivables	<u><u>187,890</u></u>	<u><u>319,798</u></u>

Notes:

- a. As at 31 March 2016, other deposits include an amount of approximately HK\$11,423,000 (2015: HK\$24,118,000) guarantee deposits paid to the local government for the Group to construct a hotel in Liuzhou city. An amount of HK\$12,695,000 is refunded during the year and the remaining deposit will be fully refunded upon the completion of the construction, which is expected to be within one year.
- b. The balance mainly represents the factoring receivable to be collected within one year amounting to HK\$30,672,000 as at 31 March 2016 (2015: nil).
- c. Amounts represent the balances due from individual third parties which were non-trade related, unsecured and repayable on demand. In addition, included in amounts due from third parties is an amount of approximately HK\$32,462,000 as at 31 March 2016 (2015: HK\$38,081,000) of which 廣西正桓貿易有限公司 (Guangxi Zhenghuan Trading Company Limited) (Guangxi Zhenghuan)*, a wholly owned subsidiary of Liuzhou Zhenghe, borrowed the money from the bank on behalf of 廣西正和實業集團有限公司 (Guangxi Zhenghe Industrial Co., Ltd) (“Guangxi Zhenghe Industrial”)*, which was the holding company of former substantial shareholder of Liuzhou Zhenghe at the time of the borrowing and the borrowing is secured by the assets of Guangxi Zhenghe Industrial. The advance carries interest element which represents the amount charged by the bank on the same borrowing drawn by Guangxi Zhenghuan.

The following is an aged analysis of trade receivables of the Group presented based on the date of delivery of properties to the customers and the date the consultancy services provided:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
91–180 days	301	559
181–365 days	3,715	–
1–2 years	275	–
	<u>4,291</u>	<u>559</u>

Trade receivables mainly represent receivables from property sales and consultancy services.

Consideration in respect of properties sold are received in accordance with the terms of the related sales and purchase agreements, certain portion on instalment payment are received on or before the date of delivery of the properties to customers and the remaining balance are normally settled within 90 days from date of delivery. The Group generally allows an average credit period of 30 days to 180 days to its trade customers in relation to the consultancy services.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date and no impairment is necessary for those balances which are not past due.

Apart from the trade receivables on customers arising from properties sold, before accepting any new customer the Group has assessed the potential customer's credit quality and defined credit rating limits of each customer. Limits attributed to customers are reviewed once a year. In determining the recoverability of a trade receivable, the Group considers changes in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date and no impairment is necessary for those balances which are not past due.

At 31 March 2016, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK\$3,990,000 (2015: HK\$559,000) which are past due for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and amounts are still considered recoverable based on historical experience. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
91–180 days	–	559
181–365 days	3,715	–
1–2 years	275	–
	<u>3,990</u>	<u>559</u>

Movement in the allowance for doubtful debts in respect of trade receivables

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Balance at beginning of the year	1,258	–
Impairment losses recognised	–	1,258
Exchange adjustments	(56)	–
	<hr/>	<hr/>
Balance at the end of the year	<u>1,202</u>	<u>1,258</u>

As at 31 March 2016, included in the allowance for doubtful debts are individually impaired trade and other receivables with an aggregate balance of HK\$1,202,000 (2015: HK\$1,258,000).

12. TRADE AND OTHER PAYABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade payables	27,922	29,774
Accrued construction cost to contractors	443,944	90,971
Receipt in advance from customers	–	1,269
Accruals	1,962	2,532
Amount due to staff	–	10,282
Amounts due to third parties (<i>note a</i>)	37,361	218,097
Retention payables (<i>note b</i>)	760	5,712
Payables for acquisition of subsidiaries (<i>note c</i>)	–	355,420
Other payables	18,657	1,488
Other tax payables (<i>note d</i>)	3,409	3,155
	<hr/>	<hr/>
	<u>534,015</u>	<u>718,700</u>

Notes:

- (a) Balances represent the amounts due to third parties which were non-trade related, unsecured, interest-free and repayable on demand. As at 31 March 2016, included amounts of approximately HK\$28,804,000 (2015: HK\$209,063,000) due to 北京中宏基建築工程有限責任公司, 福建萬嘉貿易有限公司 and 福州大展實業有限公司, which represent monies advanced by these parties when they were business partners of the then former shareholder of Liuzhou Zhenghe.
- (b) Balances represent the retention money held by the Group according to construction contracts in which such amounts will be released within one year after the completion of the construction work.
- (c) Balance represents the consideration payable for acquisition of subsidiaries, which was due and paid in April 2015.
- (d) Balance as at 31 March 2016 mainly consisted of 契稅 (Deed Tax) payable related to obtaining land-use rights amounting to approximately HK\$2,705,000 (2015: HK\$2,860,000).

Trade payables principally comprise amounts outstanding for purchase of construction materials for properties for sale. The average credit period for purchase of construction materials ranged from 180 days to 365 days.

The following is an aged analysis of the Group's trade payables presented based on the date of materials received at the end of the reporting period:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0–90 days	16,747	27,332
91–180 days	10,901	820
181–365 days	123	1,600
Over 365 days	151	22
	<u>27,922</u>	<u>29,774</u>

13. BORROWINGS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Bank borrowings	1,055,693	82,508
Other borrowings	336,675	1,479,767
	<u>1,392,368</u>	<u>1,562,275</u>
Analysed as:		
Secured	1,055,693	1,368,368
Unsecured	336,675	193,907
	<u>1,392,368</u>	<u>1,562,275</u>
Carrying amount of borrowing repayable:		
Within one year	114,229	1,562,275
More than one year, but not exceeding two years	941,464	–
More than two year, but not exceeding five years	336,675	–
	<u>1,392,368</u>	<u>1,562,275</u>
Less: Amounts shown under current liabilities	<u>114,229</u>	<u>1,562,275</u>
	<u>1,278,139</u>	<u>–</u>

All borrowings were fixed-rate borrowings and denominated in RMB during both years.

The ranges of effective interest rates on the Group's fixed-rate borrowings are as follows:

	2016	2015
Effective interest rate	<u>8.42%–15.98%</u>	<u>7.45%–12.00%</u>

As at 31 March 2016, the Group's other borrowing represents an unsecured borrowing of HK\$336,675,000 provided by a third party. The borrowing carries interest at fixed rate of 6.00% per annum and repayable in April 2018.

As at 31 March 2015, included in the Group's other borrowings was an aggregate amount of HK\$1,368,368,000 representing borrowings provided by trust companies. The borrowings carried interest at fixed rates ranging from 7.8% to 12.00% per annum and was repaid during the year.

The followings show the carrying amounts of assets pledged to secure the borrowings provided to the Group:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Secured by:		
Properties for sale	681,951	580,243
Pledged deposits	–	342,727
Land development expenditure	58,918	–
	<u>740,869</u>	<u>922,970</u>

In addition to the Group's own assets pledged, Guangxi Zhenghe Industrial, the former related party of Liuzhou Zhenghe and other related parties of former shareholder of Liuzhou Zhenghe had also pledged certain assets to the bank to secure the borrowings to the Group.

FINAL DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 March 2016 (2015: Nil).

OVERALL RESULTS

For the reporting year, the Group recorded a turnover of approximately HK\$176,996,000, representing an increase of 72 times against approximately HK\$2,424,000 for the year ended 31 March 2015. Such significant increment was mainly due to the sales contributed by 柳州正和樺桂置業集團有限公司 (Liuzhou Zhenghe Huagui Real Estate Group Company Limited*) (“**Liuzhou Zhenghe**”), which was acquired as at 31 March 2015, for the year.

A gross loss of approximately HK\$221,433,000 was recorded for the reporting year whereas a gross profit of approximately HK\$339,000 was recorded from the previous year. The gross loss for the reporting year was mainly attributed to:

1. Impairment loss on properties held for sale amounted to approximately HK\$154,524,000 was made; and
2. Extra costs amounted to approximately HK\$56,777,000 was incurred in the year to construct roads to connect Zone A and Zone B of Zhenghe City (正和城) in order to enhance the traffic to these zones and the whole Zhenghe City.

A 5% decrease in loss of approximately HK\$217,934,000 (2015: HK\$228,441,000) was recorded for the reporting year. The basic and diluted loss per share for the reporting period decreased by 28% to HK0.85 cents (2015: HK1.18 cent). The loss of the Group in the reporting year was mainly due to the above-mentioned gross loss recorded in Liuzhou Zhenghe.

REVIEW OF OPERATIONS

Liuzhou Zhenghe

Zhenghe City is a mix-used complex project which offers a wide range of properties, including villas, townhouses, commercial buildings, office buildings, hotels and high rise apartments developed by Liuzhou Zhenghe.

Zhenghe City comprises two phases with Phase I providing a stack of residential and commercial properties with gross floor area of approximately 500,000 square meters and a saleable area of approximately 474,570 square meters. Phase II will provide another stack of residential and commercial properties with a total gross floor area of approximately 580,000 square meters and a saleable area of approximately 536,199 square meters. Both Phase I and Phase II have commenced construction and under development. The progress of each phases are shown as follows:

	Property type	Status
Phase I: Zone A	Villas and high-rise apartment buildings	Construction work completed and most of the properties were sold.
Zone B	Villas and high-rise apartment buildings	Construction work completed and most of the properties were sold.
Zone C	Residential and commercial complexes and studio/office buildings	7 blocks of residential and commercial complexes and 3 blocks of studio/office buildings are under construction. The pre-sale permits for all 7 blocks of residential and commercial complexes were granted and the acceptance certificate of completion are expected to be obtained in late 2016. The pre-sale permit for the studio/office buildings are expected to be granted in late 2016 and the acceptance certificate of completion is expected to be obtained in first half of 2018.
Phase II: Zone D1	Villas	Construction work completed. 16 villas with a total saleable area of 8,007 square meters are held for sale.
Zone D1	High-rise apartment buildings	5 blocks of high-rise apartment buildings are under construction. The pre-sale permits were granted and the acceptance certificate of completion is expected to be granted in the second half of 2017.
Zone D2	Villas	Construction work completed. 10 villas with a total saleable area of 5,847 square meters are held for sale.

	Property type	Status
Zone E	Hotel and serviced apartment	A hotel building and a block of serviced apartment are under construction. The pre-sale permit for the serviced apartment was granted and the acceptance certificate of completion is expected to be obtained in late 2017.
Zone F	Residential and commercial complexes	6 blocks of residential and commercial complexes are under construction. The pre-sale permit of 3 blocks were granted and the acceptance certificate of completion are expected to be obtained in the first half of 2018. The pre-sale permit of the remaining 3 blocks are expected to be granted in the first half of 2018.

During the year ended 31 March 2016, an area of 19,175 square meters was sold and generated a segment turnover of approximately HK\$174,715,000 for the year.

As the acceptance certificate of completion for different developing buildings are expected to be obtained from late 2016 onwards, the sales recognised in the reporting year are mainly resulted from the sales of villas in Zone D1 and D2. It is expected that the revenue from sales of properties in the coming years will increase significantly as the construction work of different buildings will be completed gradually from late 2016 onwards.

An external expert, DTZ Cushman & Wakefield Limited, was engaged to assess the fair value of the properties development project as at 31 March 2016. For those properties which had completed the construction work and held for sale, Direct Comparison Method was used by making reference to comparable sales transactions as available in the relevant market. For those properties still under construction, the value is derived from by using direct comparison method with the assumption that the construction works of the properties would have been completed at the date of valuation and have taken into account the expended construction costs and the costs that will be expended to complete the development.

After the fair value assessment, an impairment loss of HK\$154,524,000 was recorded as at 31 March 2016. The reasons for the impairment loss were the combined effect of the decrease in net selling price of the properties as discounts were offered in order to stimulate the sale and increase of budgeted cost to completion. The budgeted cost to completion was revised according to the latest signed construction contracts which was higher than the budget in the previous feasibility report as a result of increase in construction materials and labour costs together with the construction of newly planned roads and public facilities to enhance the transportation and improve the environment.

Other operations

- *Provision of consultancy services*

In the reporting year, United Fujian continued to provide consultancy services to its three regular clients and United Fujian is now negotiating with its clients for the service scope and terms in the coming years. The turnover for this segment of the year was HK\$1,735,000 (2015: HK\$2,337,000), and the segment loss was HK\$750,000 (2015: HK\$1,403,000). The management will review the situation regularly and explore the possible solution for improvement.

- *Trading of goods and operation of e-commerce platforms*

The turnover of this segment for the period was HK\$546,000 (2015: HK\$87,000) and the segment gain was HK\$405,000 (2015: segment loss of HK\$1,535,000). The sales figure in the year was resulted from the sale of wine and the increment was mainly due to big discount offered to clear the stock.

- *Gold Mine*

The construction of mining plants and other infrastructure are in progress. Mining is expected to be commenced in 2017.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisitions and disposal of subsidiaries and associated companies during the reporting period.

FINANCIAL REVIEW

Finance position, liquidity and gearing

At 31 March 2016, the total assets and liabilities of the Group stood at HK\$3,038,073,000 (31 March 2015: HK\$3,317,253,000) and HK\$3,173,122,000 (31 March 2015: HK\$3,233,717,000) respectively. The Group recorded a total deficiency of equity of HK\$135,049,000 as at 31 March 2016 (31 March 2015: total equity of HK\$83,536,000). The decrease in the net assets was mainly due to the loss incurred in the year.

The Group recorded net current assets of HK\$720,186,000 as at 31 March 2016 (31 March 2015: net current liabilities of HK\$195,818,000). The change from net current liabilities to net current assets in the current year is mainly due to the renewal of certain borrowings and the repayment periods were extended to more than one year. The bank balances and cash as at 31 March 2016 was HK\$36,567,000 (31 March 2015: HK\$196,523,000), of which most were denominated in Hong Kong dollars, US dollars and Renminbi.

As at 31 March 2016, the Group had total borrowings amounted to HK\$1,490,679,000(2015: HK\$2,209,318,000). The breakdowns are as follows:

- (i) bank loans and other loans amounted to HK\$1,392,368,000 which were denominated in Renminbi with effective interest rates in the ranges of 6.00% to 15.98%; and
- (ii) interest free loan due to third parties, ultimate holding company and non-controlling interests amounted to HK\$37,361,000, HK\$2,296,000 and HK\$58,654,000 respectively;

The gearing ratio, as a ratio of total borrowings to total equity, cannot be calculated as the Group recorded a total deficiency of equity of HK\$135,049,000 as at 31 March 2016.

Financial resources

The Group currently finances its operations mainly by internal resources and borrowings. The management believes that the Group will generate its liquidity from business operations and will consider making use of further equity financing when necessary.

Capital structure

As at 31 March 2016, the total share capital of the Company was HK\$19,039,072 which is divided into 19,039,072,320 shares of Ordinary Shares of the Company.

Charges on assets

Certain of the Group's borrowing were secured by the Group's assets. The carrying amounts of assets pledged to secure the borrowings as at 31 March 2016 were analysed below:

	<i>HK\$'000</i>
Properties for sale	681,951
Land development expenditure	58,918
	<hr/>
	740,869
	<hr/> <hr/>

Contingent liabilities

The Group had provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered by purchasers of the Group's properties. Pursuant to the terms of the guarantees, in case of default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchaser to banks, the Group then may be entitled to take over the legal title of the related properties. The guarantee period commences from the dates of grant of the relevant mortgage loans and ends after the buyer obtained the individual property ownership certificate. As at 31 March 2016, the guarantee given to banks for the above-mentioned mortgage facilities amounted to HK\$569,921,000 (31 March 2015: HK\$290,175,000).

Foreign exchange exposure

As part of the Group's assets and liabilities are denominated in Renminbi, US dollars and Hong Kong dollars, in order to minimize the foreign exchange risk, the Group aims to utilize the fund for transactions that are denominated in the same currency.

EMPLOYMENT AND REMUNERATION POLICIES

At 31 March 2016, the Group had approximately 73 employees in Hong Kong and the PRC. The employees' salaries are reviewed and adjusted annually based on their performance and experience. The Group's employee benefits include performance bonus, medical scheme, mandatory provident fund for Hong Kong employees, social insurance packages for the PRC employees and education subsidy to encourage continuous professional development of staff.

FUTURE PLAN AND PROSPECTS

The future development of the property market in the PRC is expected to remain stable as a result of a number of government's policies in relaxing the restrictions on home purchase and the mortgage loan in certain cities, promoting the urbanization in rural area and cutting the interest rate by the People's Bank of China, implementing measures on real estate inventory reduction. Although Liuzhou is not a first or second tier city in the PRC, the district (Liudong New District) in which our project located is one of the focused developing district in Liuzhou. The management is optimistic to the future development of the project.

It is the Company's strategy to review from time to time potential business opportunities and investments to enhance shareholders' value. The Group will continue to find suitable investments that present development opportunity and also able to provide a suitable stream of cash flow and profit in the long run. The management promises that the resources of the Group will be properly managed and utilized so as to maximize the value of the Group and the return for our shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its securities during the year ended 31 March 2016, neither the Company nor any of its subsidiaries has purchased or, sold any of the Company's securities during the year.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established in compliance with Rule 3.21 and 3.22 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Listing Rules. The Audit Committee comprises three independent non-executive Directors, namely Mr. Yap Yung (chairman), Dr. Lam Man Kit, Dominic and Mr. Zhang Guang Sheng.

The Audit Committee has reviewed with directors the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters, including a review of the annual results, related to the preparation of the 2016 annual report.

SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Deloitte Touche Tohmatsu on the preliminary announcement.

CORPORATE GOVERNANCE PRACTICES

The Board believes that good corporate governance is essential to the success of the Company and to the enhancement of shareholder value. The Company is committed to building and maintaining high standards of corporate governance. The Board and the management of the Company have been continually reviewing and enhancing its corporate governance practices with reference to the principles and the code provisions of the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") to ensure compliance with the CG Code. For the year ended 31 March 2016, the Company has complied with the CG Code save as the deviation from code provision A.2.1:

Pursuant to code provision A.2.1 of the CG Code, the responsibilities between the chairman and chief executive officer ("**CEO**") should be segregated and should not be performed by the same individual. However, the Company does not have a separate chairman and CEO and Mr. Yuen Leong currently performs these two roles. The Board believes that vesting the roles of both chairman and CEO in the same person has the benefit of ensuring consistent leadership with the Company and enable more effective and efficient overall strategic planning for the Company. The Board considers that the balance of power and authority of the present arrangement will not be impaired and this structure will enable the Company to make the implement decisions promptly and efficiently.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all Directors and all the Directors have complied with the required standard set out in the Model Code and its code of conduct regarding Directors' securities transactions during the year.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Company (www.chaoyuehk.com) and the designated issuer website of the Stock Exchange (www.hkexnews.hk). The 2016 annual report of the Company will be dispatched to the shareholders of the Company and available on the above websites in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our appreciation to the continuous support of our shareholders and hard work and dedication of all our staff over the past year.

For and on behalf of the Board
Chaoyue Group Limited
Yuen Leong
Executive Director

Hong Kong, 24 June 2016

* *The English name is for identification purpose only*

As at the date of this announcement, the Board comprises Mr. Yuen Leong and Ms. Luan Li as executive Directors; and Dr. Lam Man Kit, Dominic, Mr. Yap Yung and Mr. Zhang Guangsheng as independent non-executive Directors.