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CHAOYUE GROUP LIMITED

超越集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 00147)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

The board of directors (the “Board” or the “Directors”) of Chaoyue Group Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2013 (the “Current Period”), together with the comparative figures, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Unaudited	
		Six months ended 30 September 2013	2012
		HK\$'000 (unaudited)	HK\$'000 (unaudited)
Continuing operations			
Revenue	3	2,399	10,444
Cost of sales and services		(1,547)	(9,141)
		852	1,303
Other income, gains and losses	4	451	(234)
Selling expenses		(68)	(223)
Administrative expenses		(9,352)	(10,138)
Share of results of associates	12	(18,130)	(1,023)
Loss before taxation		(26,247)	(10,315)
Income tax expense	5	–	(105)
Loss for the period from continuing operations		(26,247)	(10,420)
Discontinued operations			
Profit for the period from discontinued operations	6	–	253,611
(Loss) profit for the period	7	(26,247)	243,191

Unaudited
Six months ended 30 September

<i>NOTES</i>	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Exchange differences arising on translation from continuing operations	479	(145)
Items that will not be reclassified to profit or loss:		
Exchange differences arising on translation from discontinued operations	—	1,772
	<u>479</u>	<u>1,627</u>
Total comprehensive (expense) income for the period	<u>(25,768)</u>	<u>244,818</u>
(Loss) profit for the period attributable to owners of the Company		
– from continuing operations	(23,858)	(10,394)
– from discontinued operations	—	237,144
	<u>(23,858)</u>	<u>226,750</u>
(Loss) profit for the period attributable to owners of the Company	<u>(23,858)</u>	<u>226,750</u>
(Loss) profit for the period attributable to non-controlling interests		
– from continuing operations	(2,389)	(26)
– from discontinued operations	—	16,467
	<u>(2,389)</u>	<u>16,441</u>
(Loss) profit for the period attributable to non-controlling interests	<u>(2,389)</u>	<u>16,441</u>
	<u>(26,247)</u>	<u>243,191</u>
Total comprehensive (expense) income attributable to:		
Owners of the Company	(23,500)	228,409
Non-controlling interests	(2,268)	16,409
	<u>(25,768)</u>	<u>244,818</u>
(Loss) earnings per share	9	
From continuing and discontinued operations		
Basic (HK cents)	<u>(0.13)</u>	<u>1.19</u>
Diluted (HK cents)	<u>(0.13)</u>	<u>1.19</u>
From continuing operations		
Basic (HK cents)	<u>(0.13)</u>	<u>(0.05)</u>
Diluted (HK cents)	<u>(0.13)</u>	<u>(0.05)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited as at 30 September 2013 <i>HK\$'000</i>	Audited as at 31 March 2013 <i>HK\$'000</i>
	<i>NOTES</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		1,937	2,173
Goodwill		462	462
Interests in associates	12	36,187	54,081
		38,586	56,716
CURRENT ASSETS			
Trading inventory		891	–
Trade and other receivables	10	6,087	4,405
Financial assets at fair value through profit or loss		–	9,906
Bank balances and cash		212,892	214,642
		219,870	228,953
CURRENT LIABILITIES			
Trade and other payables	11	2,809	4,254
NET CURRENT ASSETS			
		217,061	224,699
		255,647	281,415
CAPITAL AND RESERVES			
Share capital		19,039	18,876
Reserves		227,719	251,382
Equity attributable to owners of the Company		246,758	270,258
Non-controlling interests		8,889	11,157
		255,647	281,415

Notes:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The functional currency of Chaoyue Group Limited (the “Company”) is Renminbi (“RMB”) as the operations of the Company and its subsidiaries (collectively referred to as the “Group”) were mainly in the People’s Republic of China (the “PRC”). The condensed consolidated financial statements are presented in Hong Kong Dollar (“HKD”). The directors of the Company consider that HKD is the appropriate presentation currency as the management of the Company controls and monitors the performance and financial position of the Group by using HKD.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost conversion, except for the financial assets at fair value through profit or loss, which are measured at fair value. Historical cost is generally based on the fair values of the consideration given in exchange for goods.

Application of amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretation to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are relevant for the preparation of the Group’s condensed consolidated financial statement.

HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
HK (IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

3. REVENUE AND SEGMENT INFORMATION

Continuing operations

The following is an analysis of the Group’s revenue and results by reportable and operating segments:

	Six months ended 30 September	
	2013 HK\$’000 (unaudited)	2012 HK\$’000 (unaudited)
Consultancy services	2,399	2,314
Trading of goods	–	8,130
	<u>2,399</u>	<u>10,444</u>

The segment information reported externally were consultancy and trading activities rendered by United (Fujian) Corporate Management Limited (“United Fujian”), a subsidiary 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’s reportable and operating segments under HKFRS 8 are as follows:

Continuing operations

- 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 People’s Republic of China
- Trading of goods – Sales of construction materials and wines

Discontinued operations

- Direct drinking water – Lease of direct drinking water purification machines and royalty income for use of the Group’s brand name
- Purification equipment – Manufacturing and sales of air purification and water purification equipments
- Environmental engineering – Construction and installation of air purification and sewage treatment system
- Mining – Exploration of gold and copper

Information of discontinued operations were disclosed in note 6.

Segment results represent the results from each segment without allocation of central administration costs and directors’ salaries, some items of other income and finance costs. This is the measure reported to the chief operation decision maker for the purposes of resource allocation and performance assessment.

The following is an analysis of the Group’s revenue and results from continuing operations by operating and reportable segment for the period under review:

Six months ended 30 September 2013

	Consultancy services HK\$’000	Trading of goods HK\$’000	Elimination HK\$’000	Total HK\$’000
REVENUE				
External sales	2,399	–	–	2,399
Consultancy service provided to head office	641	–	(641)	–
Turnover	<u>3,040</u>	<u>–</u>	<u>(641)</u>	<u>2,399</u>
RESULT				
Segment result	<u>(1,197)</u>	<u>–</u>	<u>–</u>	(1,197)
Unallocated income				361
Unallocated corporate expenses				(7,281)
Share results of associates				<u>(18,130)</u>
Loss before taxation				<u>(26,247)</u>

Six months ended 30 September 2012

	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	2,314	8,130	–	10,444
Consultancy services provided to head office	<u>1,533</u>	<u>–</u>	<u>(1,533)</u>	<u>–</u>
Turnover	<u><u>3,847</u></u>	<u><u>8,130</u></u>	<u><u>(1,533)</u></u>	<u><u>10,444</u></u>
RESULT				
Segment result	<u><u>(1,330)</u></u>	<u><u>369</u></u>	<u><u>–</u></u>	<u><u>(961)</u></u>
Unallocated income				92
Unallocated corporate expenses				(8,423)
Share results of associates				<u>(1,023)</u>
Loss before taxation				<u><u>(10,315)</u></u>

The following is an analysis of the Group's assets by operating and reportable segment.

	30 September 2013 <i>HK\$'000</i> (unaudited)	31 March 2013 <i>HK\$'000</i> (audited)
ASSETS		
<i>Segment assets</i>		
Consultancy services	5,263	3,091
Trading of goods	<u>1,736</u>	<u>938</u>
Total segment assets	<u><u>6,999</u></u>	<u><u>4,029</u></u>
LIABILITIES		
<i>Segment liabilities</i>		
Consultancy services	1,028	2,218
Trading of goods	<u>870</u>	<u>–</u>
Total segment liabilities	<u><u>1,898</u></u>	<u><u>2,218</u></u>

4. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 September	
	2013 <i>HK\$'000</i> (unaudited)	2012 <i>HK\$'000</i> (unaudited)
Continuing operations		
Bank interest income	271	92
Net gain from financial assets at fair value through profit or loss	91	–
Others	89	(326)
	451	(234)
	451	(234)

5. INCOME TAX EXPENSE

	Six months ended 30 September	
	2013 <i>HK\$'000</i> (unaudited)	2012 <i>HK\$'000</i> (unaudited)
Continuing operations		
Current tax – PRC Enterprise Income Tax	–	105
	–	105

No provision for Hong Kong Profits Tax has been made for both periods as the Group has no assessable profit arising in Hong Kong.

The applicable Enterprise Income Tax rate for the Company's PRC subsidiaries is 25%.

No provision for PRC Enterprise Income Tax has been made for current interim period as the PRC subsidiary was loss making.

6. DISCONTINUED OPERATIONS

On 5 June 2012, the Group disposed of 70% equity interest of each of Acme Day Limited and Fastmind Investments Limited and their subsidiaries (“Mining Group”) at a total consideration of US\$21,000,000, equivalent to approximately HK\$161,604,000, which carries out all of the Group's mining operation in the Republic of Kyrgyz, and is treated as a discontinued operation.

On 27 September 2012, the Group disposed of 100% equity interest in Park Wealth International Limited and its subsidiaries (“Park Wealth Group”) at a total consideration of HK\$78,500,000, which carries out all of the Group's direct drinking water, purification equipment and environmental engineering operations, and are treated as discontinued operations.

The results of the discontinued operations for the preceding interim periods were as follows:

	<i>HK\$'000</i> (unaudited)
Loss of operations for the period	(1,530)
Gain on disposal of subsidiaries	255,141
	253,611
	253,611

The results of the operations for the preceding interim periods, which have been included in the condensed consolidated statement of profit or loss and other comprehensive income, were as follow:

	Mining Group <i>HK\$'000</i> (unaudited)	Park Wealth Group <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
Revenue	–	11,873	11,873
Cost of sales	–	(784)	(784)
Other income, gains and losses	(938)	1,701	763
Selling expenses	–	(50)	(50)
Administrative expenses	(10,536)	(1,323)	(11,859)
Finance costs	–	(1,473)	(1,473)
	<hr/>	<hr/>	<hr/>
(Loss) profit before taxation	(11,474)	9,944	(1,530)
Income tax expense	–	–	–
	<hr/>	<hr/>	<hr/>
(Loss) profit for the period	<u>(11,474)</u>	<u>9,944</u>	<u>(1,530)</u>

During the six months ended 30 September 2012, the discontinued operations used approximately HK\$10,364,000 for Mining Group and approximately HK\$2,338,000 for Park Wealth Group to the Group's net operating cash outflows.

7. LOSS FOR THE PERIOD

Loss for the period from continuing operations has been arrived at after charging:

	Six months ended 30 September	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Directors' emoluments	1,208	907
Other staff costs	3,399	3,549
Other staff retirement benefit scheme contributions	80	219
	<hr/>	<hr/>
Total staff costs	4,687	4,675
	<hr/>	<hr/>
Depreciation of property, plant and equipment	397	639
	<hr/>	<hr/>

During six months ended 30 September 2012, other staff cost, other staff retirement benefit scheme contributions and depreciation of property, plant and equipment from discontinued operations were approximately HK\$10,451,000, HK\$27,000 and HK\$959,000, respectively. There was no directors' emoluments from discontinued operations during six months ended 30 September 2012.

8. DIVIDENDS

No dividends were paid, declared or proposed during the reporting period. The directors do not recommend the payment of an interim dividend.

9. (LOSS) EARNINGS PER SHARE

From continuing and discontinued operations

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

	Six months ended 30 September	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit and loss		
(Loss) profit for the period attributable to owners of the Company for the purpose of (loss) earnings per share	<u>(23,858)</u>	<u>226,750</u>
Number of shares		
Weighted average number of shares for the purposes of basic and diluted (loss) earnings per share (<i>note</i>)	<u>19,039,072,320</u>	<u>19,039,072,320</u>

Note: The weighted average number of shares for the purposes of basic and diluted loss or earnings per share includes the non-voting convertible preference shares as they rank equally among themselves and pari passu with all other ordinary shares of the Company in issue with respect of the right to any dividends or distribution declared.

From continuing operations

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

	Six months ended 30 September	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit and loss		
(Loss) profit for the period attributable to owners of the Company	(23,858)	226,750
Less: Profit for the period from discontinued operations	<u>–</u>	<u>237,144</u>
Loss for the purposes of basic and diluted loss per share from continuing operations	<u>(23,858)</u>	<u>(10,394)</u>

The denominators used are the same as those detailed above for both basic and diluted loss or earnings per share.

During the six months ended 30 September 2012 and 2013, the computation of diluted loss per share did not take into account the effect of share options granted by the Company as these would result in a decrease in loss per share from continuing operations.

From discontinued operations

For the six months ended 30 September 2012, basic and diluted earnings per share from discontinued operations are approximately HK1.24 cent per share, based on the profit for the period from discontinued operations attributable to the owners of the Company of approximately HK\$237,144,000, and the denominators used are the same as those detailed above for both basic and diluted loss or earnings per share.

10. TRADE AND OTHER RECEIVABLES

	30 September 2013 HK\$'000 (unaudited)	31 March 2013 HK\$'000 (audited)
Trade receivables	3,153	1,857
Prepayments and deposits	2,365	1,818
Other receivables	569	730
	<u>6,087</u>	<u>4,405</u>

The following is an aged analysis of trade receivables of the Group net of allowance for doubtful debts presented based on invoice date at the end of the reporting period, which approximated the respective revenue recognition date:

	30 September 2013 HK\$'000 (unaudited)	31 March 2013 HK\$'000 (audited)
0 to 30 days	210	206
31 to 90 days	420	619
91 to 180 days	631	1,032
181 to 360 days	1,892	–
	<u>3,153</u>	<u>1,857</u>

Other than cash sales, the Group generally allows an average credit period of 30 days to 180 days to its trade customers.

11. TRADE AND OTHER PAYABLES

	30 September 2013 HK\$'000 (unaudited)	31 March 2013 HK\$'000 (audited)
Trade payables	870	–
Receipt in advance from customers	704	2,218
Accruals	736	1,682
Other tax payables	324	310
Other payables	175	44
	<u>2,809</u>	<u>4,254</u>

Trade payables as at 30 September 2013 principally comprised amounts outstanding for purchase of goods. The average credit period for purchase of goods ranged from 30 days to 180 days.

12. INTERESTS IN ASSOCIATES

	30 September 2013 HK\$'000 (unaudited)	31 March 2013 HK\$'000 (audited)
Cost of interest in associates	56,648	56,648
Share of post-acquisition loss and other comprehensive income	(20,461)	(2,567)
	<u>36,187</u>	<u>54,081</u>

During the year ended 31 March 2013, the Group disposed of 70% equity interest in the Acme Day Limited and Fastmind Investments Limited and their subsidiaries (“Mining Group”). After the disposal, the Group lost control over the financial and operating policies of the Mining Group and the Mining Group became associates of the Group thereafter. The fair value of the Group’s remaining interest in the Mining Group is regarded as its deemed cost which mainly represents the mining license of the associates at the acquisition date. As at 31 March 2013 and 30 September 2013, the Mining Group has completed exploration and evaluation stage and is pending for local authority’s approval of starting extraction of ores.

The Mining Group made a loss in current interim period due to: (a) pre-operating loss: the Mining Group incurred more expenses for preparing operation which will be started after exploration and evaluation stage since the aforesaid equity transfer; and (b) impairment loss due to increase in forecasted capital expenditures based on revised ore extraction method; and decrease in metals market prices by comparing to previous period. Hence, impairment loss is recognised in profit or loss of the Mining Group, and the amount shared by the Group is approximately HK\$9,231,000 in current period.

13. OTHER COMMITMENT

	30 September 2013 HK\$’000 (unaudited)	31 March 2013 HK\$’000 (audited)
Commitments in respect of the acquisition of subsidiaries contracted for but not provided in the condensed consolidated financial statements	<u>10,000,000</u>	<u>–</u>

On 9 July 2013, the Company and Rising Vast Limited (“the Purchaser”), a wholly-owned subsidiary of the Company, entered into a conditional agreement with Chung Ming Metal Resources Holdings Limited (“the Vendor”) and Lu Tao (“the Vendor’s guarantor”), who are independent third parties, pursuant to which the Purchaser has agreed to purchase the entire issued share capital in the target companies which are involved in the production of stainless steel and copper products using scrap stainless steel and scrap copper as raw materials (the “Acquisition”). The consideration for the Acquisition is HK\$10,000,000,000, and shall be settled by (a) the payment of HK\$3,000,000,000 in cash; (b) the issue of new ordinary shares of the Company to the Vendor amounting to HK\$2,750,000,000 at an issue price of HK\$0.55 per share and (c) the issue of the HK\$4,250,000,000 zero coupon bonds due 2018 convertible into ordinary share of the Company by the Company to the Vendor.

Up to the date of approval these condensed consolidated financial statements, the Acquisition has not been completed because the Company is still performing due diligence work on the Acquisition. In addition, the initial accounting for the Acquisition has not been completed and the directors of the Company are still in the process of accessing the financial impact of the Acquisition.

MANAGEMENT DISCUSSION AND ANALYSIS

Significant Event during the Current Period

Very Substantial Acquisition

On 9 July 2013, the Company entered into an acquisition agreement to purchase 100% interests in two companies, Hong Ming Investments Limited and Shi Yi Investments Limited (collectively known as “Target Companies”). The consideration for the acquisition is HK\$10,000,000,000 and will be satisfied by the Company as to HK\$3,000,000,000 in cash, as to HK\$2,750,000,000 by the issue of 5,000,000,000 new shares of the Company at the issue price of HK\$0.55 each, and as to HK\$4,250,000,000 by the issue of convertible bonds.

The Target Companies, through their operating subsidiaries, are leading producers of stainless steel and copper products in the PRC that use scrap stainless steel and scrap copper as raw materials. The products of the Target Companies comprise primarily of stainless steel products consisted primarily of stainless steel strips, and copper products consisted primarily of copper cathode and oxygen-free copper rods. The products of the Target Companies are sold to downstream customers for their production of semi-finished or end products that have a wide range of applications in a variety of industries, including petrochemical, automobile, electronic and household appliances, electrical, traffic, construction decorations, kitchenware, and equipment and machinery for medical and desalination purposes. For details of the transaction, please refer to the announcement of the Company dated 16 August 2013.

As additional time is required to prepare the financial information in relation to the Target Companies and other information to be included in the circular, the acquisition is in progress as at the date of this announcement.

Overall Results

For the Current Period, the Group recorded a turnover of HK\$2,399,000 (preceding interim period: HK\$10,444,000) and a gross profit of HK\$852,000 (preceding interim period: HK\$1,303,000). The turnover and gross profit decrease 77% and 35% respectively. The Group shared a loss of HK\$18,130,000 (preceding interim period: HK\$1,023,000) in associated companies for the Current Period. A loss of HK\$26,247,000 was resulted for the Current Period whereas a profit of HK\$243,191,000 was resulted in the preceding interim period. The profit recorded in the preceding interim period was mainly due to the profit of HK\$253,611,000 from the disposal of discontinued operations.

The loss per share from continuing and discontinued operations of the Group for the Current Period was HK0.13 cent (the preceding interim period: earnings per share of HK1.19 cents). For continuing operations only, there was a loss of HK0.13 cent (the preceding interim period: HK0.05 cent) per share for the Current Period.

The Board does not recommend the payment of dividend for the Current Period.

REVIEW OF OPERATIONS

Provision of consultancy services

During the Current Period, other than the consultancy services provided to the existing regular clients, United was engaged by a client to conduct a market research, analysis and formulate the development strategy for the e-commerce platform for trading of agricultural equipment, fertilizer and other agricultural related products. Besides, United was engaged by another client to conduct a market research and analysis on prepaid travelling card project.

In Current Period, one of the regular clients did not renew the consultancy service contract because the project being advised and followed up by United was sold by the client with a satisfactory price. At 30 September 2013, United had a total of three regular clients. Each client will contribute RMB1 million to RMB2 million consultancy fee annually. Two potential new projects are being followed and the scope and terms of service is under negotiation.

For the Current Period, the turnover recorded for this segment was HK\$3,040,000 and the segment loss was HK\$1,197,000.

Trading of goods and operation of e-commerce platforms

During the Current Period, the progress of the property development project that United had contracted to help to source construction materials was slow down and no order had been placed by the client. A framework agreement to supply approximately 3,500 tonnes of steel for the construction projects was signed with this client and about half of the total quantity of steel had been ordered and delivered. United had contacted different suppliers and obtained the best terms. Once the client place the order, the construction materials with the best quality will be delivered on time.

For the wine e-commerce platform, after the execution of the sole distribution agent agreement with a winery in the United States in March 2013, the first batch of wines had been shipped to PRC from the United States in September 2013. The e-commerce platform was successfully launched on 15 September 2013. In order to broaden the selling channels, apart from normal advertisements placed in newspapers and magazines, United also co-operate with other e-commerce platforms and group-buying websites in order to promote the publicity of the wines in PRC.

During the Current Period, no contribution from this segment was recorded.

Gold Mine

Mining plan is being designed and in progress after the approval of the feasibility report. Relevant experts were engaged to study the effect on the environment of the mining site, especially for the water resources. Mining plants and other infrastructures will be constructed once approved. Temporary electricity supply facilities constructed in the mining site have been checked and approved by the relevant department and the setup of telecommunication facilities and equipment are now being planned. The exploration work will continue and the commercial production of the Gold Mine is expected to be commenced in 2016.

During the Current Period, the Group shared HK\$18,130,000 of loss in the Gold Mine. The significant increase in loss shared in the Current Period is mainly due to increase in pre-operating loss which mainly represented salaries, professional fees and resource duties and an impairment loss amounted to HK\$9,231,000 was recorded as a result of the decrease in gold and copper prices during the Current Period and revised of extraction method.

FINANCIAL REVIEW

Finance Position and Liquidity

At 30 September 2013, the total assets and liabilities of the Group stood at HK\$258,456,000 (31 March 2013: HK\$285,669,000) and HK\$2,809,000 (31 March 2013: HK\$4,254,000) respectively. Non-current assets amounted to HK\$38,586,000 (31 March 2013: HK\$56,716,000) comprised mainly the interests in associated companies, which represented our interest in the Gold Mine in Republic of Kyrgyz, and furniture and office equipment. Current assets amounted to HK\$219,870,000 (31 March 2013: HK\$228,953,000) which comprised mainly deposits, prepayment and other receivables and bank balance and cash. Current liabilities amounted to HK\$2,809,000 (31 March 2013: HK\$4,254,000) which comprised mainly accruals and other payables. There was no long-term loan and borrowing as at 30 September 2013 and 31 March 2013.

The Group recorded net current assets of HK\$217,061,000 as at 30 September 2013 (31 March 2013: HK\$224,699,000) and the current ratio was 78.27 (31 March 2013: 53.82). The bank balances as at 30 September 2013 was HK\$212,892,000 (31 March 2013: HK\$214,642,000), of which most were denominated in Hong Kong dollars, US dollars and Renminbi.

Gearing ratio

As no outstanding borrowing and loan as at 30 September 2013 and 31 March 2013, the gearing ratio was 0%.

Financial resources

The Group currently finances its operations mainly by internally generated funds and internal resources. 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

163,124,242 shares of Ordinary Shares of the Company were issued on 4 July 2013 upon the conversion of the Non-voting Convertible Preference Shares. As at 30 September 2013, the Group had issued 19,039,072,320 shares (31 March 2013: 18,875,948,078 shares) of Ordinary Shares and zero shares (31 March 2013: 163,124,242 shares) of Non-voting Convertible Preference Shares. The equity attributable to shareholders of the Company as at 30 September 2013 was HK\$246,758,000 (31 March 2013: HK\$270,258,000) and the decrease was mainly due to the loss recorded in the Current Period.

Charges on assets

As at 30 September 2013 and 31 March 2013, the Group had no charge on assets.

Contingent liabilities

As at 30 September 2013 and 31 March 2013, the Group had no contingent liabilities.

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 POLICY

At 30 September 2013, the Group had approximately 8, 1 and 22 employees in Hong Kong, Republic of Kyrgyz and the PRC respectively. 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. The Group also has a discretionary share option scheme which is designed to award employees for their performance. No share option was granted during the Current Period and there were 66,000,000 share options granted to the directors and employees of the Group as at 30 September 2013.

FUTURE PLAN AND PROSPECTS

With the development of the economy in the PRC, the demand for business consultancy services keep rising. United has teams of outstanding professionals, and with track records of successfully helping its clients to improve their internal system and business strategies and eventually introduced new investors to its clients, reputation has been built up in its clients. The old and existing clients keep referring new clients to United. The Company has confidence that the business consultancy service will have a very good prospect in the coming years.

With the wine e-commerce platform successfully launched in September 2013, the Group believes that such platform can increase our income stream and make a material contribution to the Group in the future. To tackle the possible effect on decrease in demand of luxury consumer goods in the PRC, our products cover a wide range of prices and satisfy different class of customers.

For the Gold Mine in Republic of Kyrgyz, although the gold price was highly fluctuated recently and showed a downward trend which resulted an impairment loss on the value of the gold mine in Current Period, the management of the gold mine considered that such fluctuation is temporary and have confidence that the gold price will return to an upward trend eventually. To face the existing challenge, the management immediately adjusted its strategies by implementing stricter cost control measures in order to increase the efficiency and maintain the best return for its shareholders.

It is the Company's strategy from time to time to review potential business opportunity and investments to enhance shareholders' value. The Group has been focusing on finding suitable investments that present development opportunity and also able to provide a suitable stream of cash flow and profit in the long run.

As the PRC government considers environmental protection and resource recovery a priority in its strategic development, the Target Companies, which utilize recycled scrap metal extensively in production, is an opportunity to invest in an industry that presents growth opportunities and favorable government policies. The Company believes that the Target Companies commands promising prospects and will become the key business of the Group going forward.

Model Code for Directors' Dealing in Securities

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.

Purchase, Sales or Redemption of the Company's Shares

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's securities during the six months ended 30 September 2013.

Audit Committee

On 30 September 2013, the Audit Committee of the Company comprised of three Independent Non-executive Directors, namely, Mr Yap Yung (the Chairman), Dr Lam Man Kit, Dominic and Mr. Zhang Guang Sheng. The audit committee has reviewed the unaudited interim financial information for the six months ended 30 September 2013 and discussed with the management the accounting principle and practice adopted by the Group, internal controls and financial reporting matters of the Group.

At the request of the Audit Committee, the auditors of the Company, Deloitte Touche Tohmatsu, had carried out a review of the unaudited interim financial information for the six months ended 30 September 2013 in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. Based on their review, our auditor confirmed that nothing had come to their attention that caused them to believe that the interim financial information was not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

Compliance with the Code on Corporate Governance Practices

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") throughout the six months ended 30 September 2013 except for the deviation from the code provision A.2.1.

In accordance with the code provision A.2.1, the role of Chairman and Chief Executive Officer (“CEO”) should not be performed by the same individual. Currently, Mr. Yuen Leong serves the role of Chairman of the Board and also the CEO of the Company. Since the role of chief executive officer/general manager of the Company’s major operating subsidiaries are performed by other persons with the relevant expertise and they are directly accountable to the Board, the Board believes that the existing arrangement is adequate. Depending on the future development of the business of the Company, the Board will review the existing structure from time to time and consider the issue of nominating appropriate candidates to take up the title of Chairman and Chief Executive Officer.

PUBLICATION OF DETAILED INTERIM RESULTS

The interim report for the Current Period will be despatched to the shareholders and published on both of the websites of the Stock Exchange and the Company 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 Current Period.

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

Hong Kong, 29 November 2013

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 Guang Sheng as independent non-executive Directors.