

CHAOYUE GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00147)



Printed on recyclable paper

INTERIM REPORT

2014

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Yuen Leong
Luan Li

Independent Non-Executive Directors

Lam Man Kit, Dominic
Yap Yung
Zhang Guangsheng

COMPANY SECRETARY

Chung Yau Tong

AUDITOR

Deloitte Touche Tohmatsu

AUDIT COMMITTEE

Yap Yung (*Chairman*)
Lam Man Kit, Dominic
Zhang Guangsheng

REMUNERATION COMMITTEE

Lam Man Kit, Dominic (*Chairman*)
Yap Yung
Zhang Guangsheng

NOMINATION COMMITTEE

Zhang Guangsheng (*Chairman*)
Lam Man Kit, Dominic
Yap Yung

REGISTERED OFFICE

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Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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COSCO Tower
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Hong Kong

PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited
The Belvedere Building,
69 Pitts Bay Road
Pembroke HM 08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

00147

COMPANY WEBSITE

www.chaoyuehk.com



Deloitte.

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TO THE BOARD OF DIRECTORS OF CHAOYUE GROUP LIMITED

超越集團有限公司

(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Chaoyue Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 5 to 28, which comprises the condensed consolidated statement of financial position as of 30 September 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.



REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

21 November 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2014



	NOTES	Six months ended 30 September	
		2014 HK\$'000 (<i>unaudited</i>)	2013 HK\$'000 (<i>unaudited</i>)
Revenue	3	1,245	2,399
Cost of sales and services		(1,242)	(1,547)
		3	852
Other income, gains and losses	4	(2,149)	451
Selling expenses		–	(68)
Administrative expenses		(8,439)	(9,352)
Share of results of associates	11	(24,236)	(18,130)
Loss before taxation		(34,821)	(26,247)
Income tax expense	5	–	–
Loss for the period	6	(34,821)	(26,247)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences arising on translation		763	479
Total comprehensive expense for the period		(34,058)	(25,768)



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

For the six months ended 30 September 2014

		Six months ended 30 September	
		2014	2013
NOTES		HK\$'000	HK\$'000
		(unaudited)	<i>(unaudited)</i>
<hr/>			
Loss for the period attributable to:			
	Owners of the Company	(30,767)	(23,858)
	Non-controlling interests	(4,054)	(2,389)
		(34,821)	(26,247)
<hr/>			
Total comprehensive expense attributable to:			
	Owners of the Company	(30,007)	(23,500)
	Non-controlling interests	(4,051)	(2,268)
		(34,058)	(25,768)
<hr/>			
Loss per share		8	
	Basic (HK cent)	(0.16)	(0.13)
		(0.16)	(0.13)
	Diluted (HK cent)	(0.16)	(0.13)
<hr/>			

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2014



	NOTES	30 September 2014 HK\$'000 (unaudited)	31 March 2014 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	1	1,720
Goodwill	10	–	–
Interests in associates	11	–	23,481
		1	25,201
CURRENT ASSETS			
Inventories		714	766
Trade and other receivables	12	2,254	5,884
Bank balances and cash		197,753	204,353
		200,721	211,003
CURRENT LIABILITIES			
Trade and other payables	14	1,923	3,347
NET CURRENT ASSETS			
		198,798	207,656
		198,799	232,857
CAPITAL AND RESERVES			
Share capital	15	19,039	19,039
Reserves		177,164	207,171
Equity attributable to owners of the Company			
Non-controlling interests		196,203	226,210
		2,596	6,647
		198,799	232,857



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2014

	Attributable to owners of the Company										
	Share capital HK\$'000	Non-voting convertible preference shares HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000 (Note 1)	Share option reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 April 2013 (audited)	18,876	31,289	7,392,753	51,655	3,781	16,157	19	(7,244,272)	270,258	11,157	281,415
Exchange difference arising on translation	-	-	-	-	-	-	358	-	358	121	479
Loss for the period	-	-	-	-	-	-	-	(23,858)	(23,858)	(2,389)	(26,247)
Total comprehensive expense for the period	-	-	-	-	-	-	358	(23,858)	(23,500)	(2,268)	(25,768)
Conversion of non-voting convertible preference shares into ordinary shares (note 1)	163	(31,289)	31,126	-	-	-	-	-	-	-	-
At 30 September 2013 (unaudited)	19,039	-	7,423,879	51,655	3,781	16,157	377	(7,288,130)	246,758	8,889	255,647
At 1 April 2014 (audited)	19,039	-	7,423,879	51,655	3,781	16,157	(102)	(7,288,199)	226,210	6,647	232,857
Exchange difference arising on translation	-	-	-	-	-	-	760	-	760	3	763
Loss for the period	-	-	-	-	-	-	-	(30,767)	(30,767)	(4,054)	(34,821)
Total comprehensive expense for the period	-	-	-	-	-	-	760	(30,767)	(30,007)	(4,051)	(34,058)
Reversal of share option reserve (Note 2)	-	-	-	-	-	(16,157)	-	16,157	-	-	-
At 30 September 2014 (unaudited)	19,039	-	7,423,879	51,655	3,781	-	668	(7,302,809)	196,203	2,596	198,799

Note 1: The capital redemption reserve represents amounts transferred from contributed surplus upon the repurchase of the Company's shares.

Note 2: The share option reserve represents the special reserve recognized from the share option granted on 17 July 2008. Since all of these options were lapsed during the period ended 30 September 2014, the corresponding amount recorded in the share option reserve was reversed accordingly.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2014



	Six months ended 30 September	
	2014 HK\$'000 <i>(unaudited)</i>	2013 HK\$'000 <i>(unaudited)</i>
NOTES		
<hr/>		
OPERATING ACTIVITIES		
Loss before taxation	(34,821)	(26,247)
Adjustments for:		
Depreciation of property, plant and equipment	214	397
Gain on disposal of property, plant and equipment	(30)	–
Allowance for bad and doubtful debts, net	1,258	–
Bank interest income	(427)	(271)
Impairment loss on property, plant and equipment	1,490	–
Share of results of associates	24,236	18,130
Net gain from financial assets at fair value through profit or loss	(69)	(91)
<hr/>		
Operating cash flows before movements in working capital	(8,149)	(8,082)
Decrease (increase) in inventory	41	(891)
Decrease (increase) in trade and other receivables	2,372	(1,513)
Decrease in trade and other payables	(1,424)	(1,354)
<hr/>		
CASH USED IN OPERATION, AND NET CASH USED IN OPERATING ACTIVITIES	(7,160)	(11,840)



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Continued)

For the six months ended 30 September 2014

	NOTES	Six months ended 30 September	
		2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
INVESTING ACTIVITIES			
Proceeds from redemption of financial assets at fair value through profit or loss	13	27,994	40,197
Interest received		427	271
Purchases of financial assets at fair value through profit or loss	13	(27,925)	(30,016)
Purchases of property, plant and equipment		–	(278)
Proceeds from disposal of property, plant and equipment		45	–
NET CASH FROM INVESTING ACTIVITIES		541	10,174
NET DECREASE IN CASH AND CASH EQUIVALENTS		(6,619)	(1,666)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		204,353	214,642
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		19	(84)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash		197,753	212,892

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2014



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 basis except for the financial assets at fair value through profit or loss, which is measured at fair value. Historical cost is generally based on the fair values of the consideration given in exchange for goods.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2014.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2014

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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.

Amendments to HKFRS 10, HKFRS 11 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK (IFRIC) – Int 11	Levies

The application of the above new Interpretation and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2014



3. REVENUE AND SEGMENT INFORMATION

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

	Six months ended 30 September	
	2014 HK\$'000 <i>(unaudited)</i>	2013 HK\$'000 <i>(unaudited)</i>
Consultancy services	1,185	2,399
Trading of goods	60	–
	1,245	2,399

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.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2014

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

The Group's reportable and operating segments under HKFRS 8 are as follows:

- | | | |
|----------------------|---|---|
| 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 wines |

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2014



3. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

Six months ended 30 September 2014

	Consultancy services HK\$'000	Trading of goods HK\$'000	Elimination HK\$'000	Total HK\$'000
REVENUE				
External sales	1,185	60	–	1,245
Consultancy service provided to head office	593	–	(593)	–
Turnover	1,778	60	(593)	1,245
RESULT				
Segment result	(3,347)	(202)	(633)	(4,182)
Unallocated income				599
Unallocated corporate expenses				(7,002)
Share of results of associates				(24,236)
Loss before taxation				(34,821)



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2014

3. REVENUE AND SEGMENT INFORMATION (Continued)

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	3,040	-	(641)	2,399
RESULT				
Segment result	(1,197)	-	-	(1,197)
Unallocated income				361
Unallocated corporate expenses				(7,281)
Share of results of associates				(18,130)
Loss before taxation				(26,247)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2014



3. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

	30 September 2014 HK\$'000 (unaudited)	31 March 2014 HK\$'000 (audited)
ASSETS		
<i>Segment assets</i>		
Consultancy services	–	4,237
Trading of goods	739	776
Total segment assets	739	5,013
LIABILITIES		
<i>Segment liabilities</i>		
Consultancy services	(946)	(1,888)
Trading of goods	–	–
Total segment liabilities	(946)	(1,888)



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2014

4. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	<i>(unaudited)</i>
Impairment loss on property, plant and equipment	(1,490)	–
Provision for bad and doubtful debts	(1,258)	–
Bank interest income	427	271
Net gain from financial assets at fair value through profit or loss	69	91
Others	103	89
	(2,149)	451

5. INCOME TAX EXPENSE

	Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	<i>(unaudited)</i>
Current tax – PRC Enterprise Income Tax	–	–

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2014



6. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	Six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
	<i>(unaudited)</i>	<i>(unaudited)</i>
Directors' emoluments	909	908
Other staff costs	3,942	3,651
Other staff retirement benefit scheme contributions	163	128
Total staff costs	5,014	4,687
Depreciation of property, plant and equipment	214	397
Impairment loss on property, plant and equipment	1,490	–

7. DIVIDENDS

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2014

8. LOSS PER SHARE

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

	Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	<i>(unaudited)</i>
Profit and loss		
Loss for the period attributable to owners of the Company for the purpose of loss per share	(30,767)	(23,858)

	Six months ended 30 September	
	2014	2013
Number of shares		
Weighted average number of shares for the purposes of basic and diluted loss per share (note)	19,039,072,320	19,039,072,320

Note: The weighted average number of shares for the purposes of basic and diluted loss per share for the period ended 30 September 2013 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2014



9. PROPERTY, PLANT AND EQUIPMENT

The movements in property, plant and equipment during the period is summarised as follows:

	HK\$'000
Carrying amounts as at 1 April 2014 (audited)	1,720
Disposal	(15)
Depreciation	(214)
Impairment loss	(1,490)
Carrying amounts as at 30 September 2014 (unaudited)	1

10. GOODWILL

Goodwill amounted to approximately HK\$462,000 is allocated to the cash generating unit which carried out the Group's corporate management consultancy services under the consultancy services segment. During the year ended 31 March 2014, goodwill was fully impaired due to loss making performance of this operation.

11. INTERESTS IN ASSOCIATES

	30 September 2014 HK\$'000 <i>(unaudited)</i>	31 March 2014 HK\$'000 <i>(audited)</i>
Cost of interest in associates	56,648	56,648
Share of post-acquisition loss and other comprehensive income	(56,648)	(33,167)
	-	23,481



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2014

11. INTERESTS IN ASSOCIATES (Continued)

Acme Day Limited, Fastmind Investments Limited and their subsidiaries (“Mining Group”) made a loss in current interim period due to (a) pre-operating loss: the Mining Group incurred expenses for preparing operation which will be started after exploration and evaluation stage since the aforesaid equity transfer; and (b) impairment loss due to decrease in metals market prices by comparing to previous period. Hence, impairment loss is recognised in profit or loss of the Mining Group. The total amount of pre-operating and impairment loss shared by the Group is approximately HK\$24,236,000 in current period.

As at 30 September 2014 and 31 March 2014, the Group had interest in the following associates through a 90% owned subsidiary:

Name of associates	Place of incorporation/ establishment/ operation	Issued and fully paid up share capital/ registered capital	Percentage of nominal value of issued share capital held by the Group		Principal activities	Legal form
			30 September 2014	31 March 2014		
			%	%		
Fastmind Investments Limited	Hong Kong	HK\$100	30	30	Investment holding of mining operation	Private limited liability company
Acme Day Limited	Hong Kong	HK\$100	30	30	Investment holding of mining operation	Private limited liability company
Tunlin Limited Liability Company	Republic of Kyrgyz	KGS5,000	30	30	Investment holding of mining operation	Limited liability company
Kichi-Chaarat Closed Joint Stock Company	Republic of Kyrgyz	KGS10,000	30	30	Investment holding of mining operation	Limited liability company

Note: Kichi-Chaarat Closed Joint Stock Company is a wholly owned subsidiary of Tunlin Limited Liability Company, which is owned by Fastmind Investments Limited and Acme Day Limited by 99% and 1% respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2014



11. INTERESTS IN ASSOCIATES *(Continued)*

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	30 September 2014 HK\$'000 (unaudited)	31 March 2014 HK\$'000 (audited)
Net assets of associates	–	78,271
Proportion of the Group's ownership interest in associates	30%	30%
Carrying amount of the Group's interest in associates	–	23,481

12. TRADE AND OTHER RECEIVABLES

	30 September 2014 HK\$'000 (unaudited)	31 March 2014 HK\$'000 (audited)
Trade receivables	25	2,527
Prepayments and deposits	1,589	2,809
Other receivables	640	548
	2,254	5,884



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2014

12. TRADE AND OTHER RECEIVABLES *(Continued)*

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 2014 HK\$'000 (unaudited)	31 March 2014 HK\$'000 (audited)
0 to 30 days	25	10
31 to 90 days	–	–
91 to 180 days	–	–
181 to 360 days	–	629
1 to 2 years	–	1,888
	25	2,527

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2014



13. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS (“FVPL”)

During the six months ended 30 September 2014, the Group entered into several contracts of structured deposit with a bank. The duration of such structured deposits ranged from 3 to 6 months, but the Group could apply for early redemption at any trading day during deposit period. The principal was guaranteed by the bank. The return was not guaranteed by the bank and was determined by reference to the performance of underlying investments such as certain PRC government debt instruments and treasury notes. The above structured deposits have been designated as financial assets at FVTPL on initial recognition. The Group redeemed all structured deposits and did not hold any such deposits as at 30 September 2014.

14. TRADE AND OTHER PAYABLES

	30 September 2014 HK\$'000 (unaudited)	31 March 2014 HK\$'000 (audited)
Receipt in advance from customers	631	1,888
Accruals	681	1,105
Other tax payables	303	194
Other payables	308	160
	1,923	3,347



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2014

15. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.001 each		
At 1 April 2013, 30 September 2013, 1 April 2014 and 30 September 2014	498,000,000,000	498,000
Non-voting convertible preference shares of HK\$0.001 each		
At 1 April 2013, 30 September 2013, 1 April 2014 and 30 September 2014	2,000,000,000	2,000
Issued and fully paid:		
Ordinary shares of HK\$0.001 each		
At 1 April 2013	18,875,948,078	18,876
Conversion of non-voting convertible preference shares into ordinary shares	163,124,242	163
At 30 September 2013, 1 April 2014 and 30 September 2014	19,039,072,320	19,039
Non-voting convertible preference shares of HK\$0.001 each		
At 1 April 2013	163,124,242	31,289
Conversion of non-voting convertible preference shares into ordinary shares	(163,124,242)	(31,289)
At 30 September 2013, 1 April 2014 and 30 September 2014	-	-

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2014



16. RELATED PARTY TRANSACTIONS

The Group has the following transactions with related parties during the period:

Compensation of key management personnel

The remuneration of key management during the period was as follows:

	Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
	<i>(unaudited)</i>	<i>(unaudited)</i>
Short-term benefits	1,932	1,876
Retirement benefits scheme contribution	26	23
	1,958	1,899

The remuneration of key management is determined having regard to the performance of individuals and market trends.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2014

17. OTHER COMMITMENT

	30 September 2014 HK\$'000 (unaudited)	31 March 2014 HK\$'000 (audited)
Commitments in respect of the acquisition of subsidiaries contracted for but not provided in the condensed consolidated financial statements	353,327	–

On 27 August 2014, 福州國天企業管理有限公司 (Fuzhou Kwok Tin Enterprise Management Company Limited*) (the "Purchaser"), a wholly own subsidiary of the Group, entered into a conditional selling and purchase agreement with 福清市福旺房地產開發有限公司 (Fuqing Wangfu Property Development Co., Ltd.)* ("the Vendor"), pursuant to which the Purchaser has agreed to purchase the 70% issued share capital in the target companies which are involved in the development and sale of properties (the "Acquisition"). The consideration for the Acquisition is RMB280,000,000 (equivalent to approximately HK\$353,327,000), and shall be settled by cash in full by the Purchaser to the Vendor. Details are set out in the Company's announcement dated 2 September 2014.

Up to the date of approval of 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 assessing the financial impact of the Acquisition.

* *The English name is for identification purpose only.*

MANAGEMENT DISCUSSION AND ANALYSIS



SIGNIFICANT EVENT DURING THE CURRENT PERIOD

Very Substantial Acquisition

On 27 August 2014, a wholly-owned subsidiary of the Company (the “Purchaser”) and 福清市旺福房地產開發有限公司 (Fuqing Wangfu Property Development Company Limited*) (the “Vendor”) entered into an Agreement, pursuant to which the Purchaser conditionally agree to purchase 70% interests in 柳州正和華桂置業集團有限公司 (Liuzhou Zhenghe Huagui Real Estate Group Company Limited*) (the “Target”) from the Vendor. The consideration for the acquisition is RMB280 million (equivalent to approximately HK\$353 million) and will be satisfied by the Company in full in cash.

The Target is principally engaged in property development in Liuzhou City, Guangxi Zhuang Autonomous Region, the PRC. The Target Group focuses on developing and selling high quality and large-scale residential and commercial properties in Liuzhou City, Guangxi Zhuang Autonomous Region. The Target is currently developing a single property project, named Zhenghe City (正和城), comprising multiple phases which offers a wide range of properties, including villas, townhouses, commercial buildings, office buildings, hotels and high rise apartments, some of which have equipped with ancillary facilities such as club houses and gardens.

Zhenghe City initially comprises of two phases. The Target successfully bid from the local government parcels of land in Liuzhou City in 2010 with the site area being approximately 230,000 sq. m. (the “Phase I Project”). According to the development plan of the Phase I Project, the Target will construct a stack of residential and commercial properties with gross floor area (the “GFA”) of approximately 500,000 sq. m.. The Target Group successfully bid another parcels of land adjacent to the aforesaid site with total site area of approximately 140,000 sq. m. in 2012 (the “Phase II Project”). According to the development plan of the Phase II Project, the Target will construct another stack of residential and commercial properties with a total GFA of approximately 580,000 sq. m.

Based on information provided by the Target, the Target has completed construction works of certain zones of Phase 1 Project. Revenue from sales of properties was recorded by the Target since 2012 and the whole project is expected to be completed in 2018.

The acquisition is in progress and the Company is performing due diligence work and preparing a circular in relation to the acquisition which includes financial information of the Target, market condition and other related information.

* *The English name is for identification purpose only.*



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

OVERALL RESULTS

For the Current Period, the Group recorded a turnover of HK\$1,245,000 (preceding interim period: HK\$2,399,000) and a gross profit of HK\$3,000 (preceding interim period: HK\$852,000). The turnover and gross profit decrease 48.10% and 99.65%, respectively. A loss for HK\$34,821,000 was resulted for the Current Period (preceding interim period: HK\$26,247,000). The increase in loss for the Current Period are mainly due to the drop in gross profit for the Current Period and the increase in the total amount of pre-operating loss and impairment loss shared in associated companies by the Group for the Current Period which amounted to HK\$24,236,000 (preceding interim period: HK\$18,130,000).

The basic and diluted loss per share of the Group for the Current Period was HK0.16 cent (the preceding interim period: HK0.13 cent).

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

REVIEW OF OPERATIONS

Provision of consultancy services

In Current Period, United Fujian continued to provide consultancy services to her three regular clients. Other than the normal business advisory service, United Fujian also helped the clients to do market research and feasibility study in particular industries in order to facilitate her clients for business decision. A potential new client is being followed and the scope and terms of service is under negotiation.

For the Current Period, the turnover recorded for this segment was HK\$1,185,000 and the segment loss was HK\$3,347,000.

Trading of goods and operation of e-commerce platforms

During the Current Period, only HK\$60,000 sales and a loss of HK\$202,000 for this segment was recorded. The balance was resulted from the sale on the wine e-commerce platform. The poor result is mainly due to the effect of various austerity measures implemented by the PRC government and the slowdown of the PRC economic development.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)



REVIEW OF OPERATIONS (Continued)

Gold Mine

Studies on the environmental effect on the proposed location of the tailings dam and the design of mining plan are in progress. Contractors for different construction works were selected during the Current Period and once the mining plan finalised, the construction of mining plants and other infrastructure will commence.

During the Current Period, because of the downward trend of the gold and copper prices, an impairment loss on the value of the gold mine was recorded. In addition to the pre-operating loss incurred, the Group recorded a loss of HK\$24,236,000 in the investment in the Gold Mine. As a result, the interests in associates of the Group as at 30 September 2014 was written down to zero.

FINANCIAL REVIEW

Finance position and liquidity

At 30 September 2014, the total assets and liabilities of the Group stood at HK\$200,722,000 (31 March 2014: HK\$236,204,000) and HK\$1,923,000 (31 March 2014: HK\$3,347,000) respectively.

Non-current assets amounted to HK\$1,000 (31 March 2014: HK\$25,201,000). The significant decrease in non-current assets are mainly due to (i) write down of the interests in associates to zero as a result the impairment loss on the value of the gold mine in Republic of Kyrgyz and the pre-operating expenses incurred; and (ii) impairment loss on property, plant and equipment in United Fujian.

Current assets amounted to HK\$200,721,000 (31 March 2014: HK\$211,003,000) which comprised mainly inventories, deposits, prepayment and other receivables and bank balances and cash. The bank balances as at 30 September 2014 was HK\$197,753,000 (31 March 2014: HK\$204,353,000), of which most were denominated in Hong Kong dollars, US dollars and Renminbi.



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Finance position and liquidity *(Continued)*

Current liabilities amounted to HK\$1,923,000 (31 March 2014: HK\$3,347,000) which comprised mainly accruals and other payables.

There was no long-term loan and borrowing as at 30 September 2014 and 31 March 2014.

The Group recorded net current assets of HK\$198,798,000 as at 30 September 2014 (31 March 2014: HK\$207,656,000) and the current ratio was 104.38 (31 March 2014: 63.04).

Gearing ratio

As no outstanding borrowing and loan as at 30 September 2014 and 31 March 2014, 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

19,039,072,320 shares of Ordinary Shares of the Company were issued as at 30 September 2014. The total equity of the Company as at 30 September 2014 was HK\$198,799,000 (31 March 2014: HK\$232,857,000) and the decrease was mainly due to the loss recorded in the Current Period.

Charges on assets

As at 30 September 2014 and 31 March 2014, the Group had no charge on assets.

Contingent liabilities

As at 30 September 2014 and 31 March 2014, the Group had no contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*



FINANCIAL REVIEW *(Continued)*

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 2014, the Group had approximately 8, 1 and 12 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 has adopted a new discretionary share option scheme on 5 September 2014. The share option scheme is designed to award employees for their performance. All share options issued under the old share option scheme was lapsed on 16 September 2014 and no share option was granted under the new share option scheme during the Current Period.

FUTURE PLAN AND PROSPECTS

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

The proposed acquisition of the property development company in the PRC during the Current Period matches our aforesaid mission. The Directors believe that the PRC property market is reviving and the acquisition of the property project represents a prime opportunity for the Company to enter into the reviving property market in a timely and cost-effective manner.



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FUTURE PLAN AND PROSPECTS *(Continued)*

The Target is devoted to become the leading property developer in Guangxi Zhuang Autonomous Region, the PRC. The directors believe that (i) with its competitive advantages over other land developers in acquiring lands for future development as the Target has participated in the process of primary land development; and (ii) with its concrete experience in properties development of Phase I of Zhenghe City which built up a well-known brand name in Liuzhou and a strong management team in property development, the goal of the Target will be achieved in the near future.

For the business consultancy services, the Company committed to provide quality services to its clients in order to build up confidence and reputation in the clients. The Company has confidence that the business consultancy service will have a very good prospect with the development of the PRC in the coming years.

For the wine e-commerce platform, United Fujian will continue to explore different sale channels and launch various promotion campaigns to increase the publicity of the wines to improve its sale and contribution in the future.

Although the gold price showed a downward trend recently which caused an impairment loss to the Company and the interests in associates was written down to zero, the management of the gold mine have confidence that the gold price will return to an upward trend when the expected commercial production commence in 2016 and provide the best return to its shareholders.

ADDITIONAL INFORMATION



SHARE OPTION SCHEME

The following table discloses details of option outstanding under the Company's share option scheme and movements during the period ended 30 September 2014:

Category of participant	Exercise period	Outstanding at 1 April 2014	Lapsed during the period ended 30 September 2014	Outstanding at 30 September 2014
Directors:				
Yuen Leong	17/7/2008 to 16/9/2014	3,000,000	(3,000,000)	–
	17/7/2009 to 16/9/2014	3,000,000	(3,000,000)	–
	17/7/2010 to 16/9/2014	3,000,000	(3,000,000)	–
Lam Man Kit, Dominic	17/7/2008 to 16/9/2014	3,000,000	(3,000,000)	–
	17/7/2009 to 16/9/2014	3,000,000	(3,000,000)	–
	17/7/2010 to 16/9/2014	3,000,000	(3,000,000)	–
Total directors		18,000,000	(18,000,000)	–
Employees:				
	17/7/2008 to 16/9/2014	16,000,000	(16,000,000)	–
	17/7/2009 to 16/9/2014	16,000,000	(16,000,000)	–
	17/7/2010 to 16/9/2014	16,000,000	(16,000,000)	–
Total employees		48,000,000	(48,000,000)	–
Total		66,000,000	(66,000,000)	–

These options were granted on 17 July 2008. The number of share options and exercised price had been adjusted after share subdivision on 3 August 2009. The adjusted exercise price is HK\$0.532 per ordinary share of the Company. The exercise period of all share options expired on 16 September 2014, so they were lapsed during the six months ended 30 September 2014.



ADDITIONAL INFORMATION *(Continued)*

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 September 2014, the interests and short positions of the directors and the chief executive and their associates in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (a) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(i) Long position in shares and underlying shares of the Company

Ordinary shares of HK\$0.001 each of the Company

Name of Director	Capacity in which interests are held	Number of Shares interested	Interests as to % to the issued share capital of the Company
Yuen Leong	Interest of a controlled corporation	12,887,473,880 (Note 1)	67.69%

Notes:

- (1) These 12,887,473,880 shares are held by Long Grand Limited which is legally and beneficially owned as to 70% by Mr. Yam Yu and as to 30% by Mr. Yuen Leong. By virtue of his 30% direct interest in Long Grand Limited, Mr. Yuen Leong is deemed or taken to be interested in the 12,887,473,880 shares held by Long Grand Limited for the purposes of the SFO.

ADDITIONAL INFORMATION (Continued)



DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES (Continued)

(ii) Long position in shares and underlying shares of associated corporation

Name of Director	Name of associated corporation	Interest held by controlled corporation	Personal interest	Number of ordinary shares (long positions)		
				Family interest	Total number of shares held in associated corporation	Approximate percentage of issued share capital of associated corporation
Yuen Leong	Long Grand Limited	-	Beneficial owner	-	300	30%

Save as disclosed above, as at 30 September 2014, none of the Directors and the chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO), (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the foregoing and save as disclosed under the heading "Share option scheme" and "Directors' and Chief Executives' Interests in Shares and Underlying Shares" above, at no time during the six months ended 30 September 2014 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them or was the Company, or any of its holding companies, its fellow subsidiaries or any of its subsidiaries a party to any arrangement to enable the directors, their respective spouse or minor children to acquire such rights in or any other body corporate.



ADDITIONAL INFORMATION (Continued)

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2014, the following interest of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO.

Long position:

Name	Interest in shares	Nature of interest	Percentage of the Company's issued share capital
Long Grand Limited (Note 1)	12,887,473,880	Direct Beneficial owner	67.69%

Note:

- (1) Long Grand Limited is legally and beneficially owned as to 70% by Mr. Yam Yu and as to 30% by Mr. Yuen Leong.

Save as disclosed above, as at 30 September 2014, no other person, other than the director of the Company, whose interests are disclosed under the heading "Directors' and Chief Executives' Interests in Shares and Underlying Shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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.



ADDITIONAL INFORMATION *(Continued)*

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 2014.

AUDIT COMMITTEE

On 30 September 2014, 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 2014 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 2014 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".



ADDITIONAL INFORMATION *(Continued)*

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 2014 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.

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

Hong Kong, 21 November 2014