

CHAOYUE GROUP LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 00147)

Interim Report 2012



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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 Guang Sheng

COMPANY SECRETARY

Chung Yau Tong

AUDITOR

Deloitte Touche Tohmatsu

AUDIT COMMITTEE

Yap Yung (*Chairman*)

Lam Man Kit, Dominic

Zhang Guang Sheng

REMUNERATION COMMITTEE

Lam Man Kit, Dominic (*Chairman*)

Yap Yung

Zhang Guang Sheng

NOMINATION COMMITTEE

Zhang Guang Sheng (*Chairman*)

Lam Man Kit, Dominic

Yap Yung

REGISTERED OFFICE

Clarendon House

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Hamilton HM 11

Bermuda

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141 Des Voeux Road Central

Hong Kong

PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited

26 Burnaby Street

Hamilton HM 11

Bermuda

HONG KONG BRANCH SHARE REGISTRAR

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STOCK CODE

00147

COMPANY WEBSITE

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REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



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 38, which comprises the condensed consolidated statement of financial position as of 30 September 2012 and the related condensed consolidated statement of 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

23 November 2012

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2012

| | NOTES | Six months ended 30 September | |
|---|-------|--|--|
| | | 2012 HK\$'000 (<i>unaudited</i>) | 2011 HK\$'000 (<i>unaudited/ restated</i>) |
| Continuing operations | | | |
| Revenue | 3 | 10,444 | – |
| Cost of sales and services | | (9,141) | – |
| | | 1,303 | – |
| Other income, gains and losses | 4 | (234) | 188 |
| Selling expenses | | (223) | – |
| Administrative expenses | | (10,138) | (12,344) |
| Share of loss of associates | 17 | (1,023) | – |
| Loss before taxation | | (10,315) | (12,156) |
| Income tax expense | 5 | (105) | – |
| Loss for the period from continuing operations | | (10,420) | (12,156) |
| Discontinued operations | | | |
| Profit (loss) for the period from discontinued operations | 6 | 253,611 | (8,649) |
| Profit (loss) for the period | 7 | 243,191 | (20,805) |

**CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME** *(Continued)**For the six months ended 30 September 2012*

| | NOTES | Six months ended 30 September | |
|---|-------|--|--|
| | | 2012 HK\$'000 <i>(unaudited)</i> | 2011 HK\$'000 <i>(unaudited/ restated)</i> |
| Other comprehensive income (expense) | | | |
| Exchange differences arising on translation | | | |
| – from continuing operations | | (145) | – |
| – from discontinued operations | | 1,772 | (629) |
| | | 1,627 | (629) |
| Total comprehensive income (expense) for the period | | 244,818 | (21,434) |
| Profit (loss) for the period attributable to owners of the Company | | | |
| – from continuing operations | | (10,394) | (12,156) |
| – from discontinued operations | | 237,144 | (7,813) |
| Profit (loss) for the period attributable to owners of the Company | | 226,750 | (19,969) |
| Profit (loss) for the period attributable to non-controlling interests | | | |
| – from continuing operations | | (26) | – |
| – from discontinued operations | | 16,467 | (836) |

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

For the six months ended 30 September 2012

| | NOTES | Six months ended 30 September | |
|---|-------|--|--|
| | | 2012 HK\$'000 <i>(unaudited)</i> | 2011 HK\$'000 <i>(unaudited/ restated)</i> |
| Profit (loss) for the period attributable to non-controlling interests | | 16,441 | (836) |
| | | 243,191 | (20,805) |
| Total comprehensive income (expense) attributable to: | | | |
| Owners of the Company | | 228,409 | (20,866) |
| Non-controlling interests | | 16,409 | (568) |
| | | 244,818 | (21,434) |
| Earnings (loss) per share | | | |
| From continuing and discontinued operations | | | |
| Basic (HK cents) | 9 | 1.19 | (0.10) |
| Diluted (HK cents) | 9 | 1.19 | (0.10) |
| From continuing operations | | | |
| Basic (HK cents) | 9 | (0.05) | (0.06) |
| Diluted (HK cents) | 9 | (0.05) | (0.06) |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*At 30 September 2012*

| | NOTES | Unaudited as at 30 September 2012 HK\$'000 | Audited as at 31 March 2012 HK\$'000 |
|---|-------|---|--|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 10 | 2,732 | 13,085 |
| Goodwill | 15 | 462 | – |
| Interests in associates | 17 | 55,625 | – |
| | | 58,819 | 13,085 |
| CURRENT ASSETS | | | |
| Trade and other receivables | 11 | 13,117 | 1,899 |
| Bank balances and cash | | 222,479 | 37,903 |
| | | 235,596 | 39,802 |
| Assets classified as held for sale | 16 | – | 128,801 |
| | | 235,596 | 168,603 |
| CURRENT LIABILITIES | | | |
| Amounts due to customers for contract work | | – | 910 |
| Trade and other payables | 12 | 3,060 | 55,137 |
| Tax payable | | 396 | 1,008 |
| Warranty provision | | – | 1,575 |
| Deferred income | | – | 10,326 |
| | | 3,456 | 68,956 |
| Liabilities associated with assets classified as held for sale | 16 | – | 1,263 |
| | | 3,456 | 70,219 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 30 September 2012

| | NOTES | Unaudited as at 30 September 2012 HK\$'000 | Audited as at 31 March 2012 HK\$'000 |
|--|-------|--|--|
| NET CURRENT ASSETS | | 232,140 | 98,384 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 290,959 | 111,469 |
| NON-CURRENT LIABILITIES | | | |
| Amount due to a director of a subsidiary | | – | 22,232 |
| Borrowings | | – | 16,474 |
| Deferred income | | – | 8,866 |
| Customer's deposit | | – | 10,000 |
| | | – | 57,572 |
| | | 290,959 | 53,897 |
| CAPITAL AND RESERVES | | | |
| Share capital | 13 | 18,860 | 18,824 |
| Reserves | | 260,388 | 30,785 |
| Amounts recognised in other comprehensive income and accumulated in equity relating to assets classified as held for sale | | – | 1,230 |
| Equity attributable to owners of the Company | | 279,248 | 50,839 |
| Non-controlling interests | | | |
| Non-controlling interests | | 11,711 | 2,921 |
| Amount recognised in other comprehensive income relating to assets classified as held for sale and included in non-controlling interests | | – | 137 |
| | | 290,959 | 53,897 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2012

| | Attributable to owners of the Company | | | | | | | | | | |
|---|---------------------------------------|--|---------------|---------------------|----------------------------|----------------------|---------------------|--------------------|----------|---------------------------|----------|
| | Share capital | Non-voting convertible preference shares | Share premium | Contributed surplus | Capital redemption reserve | Share option reserve | Translation reserve | Accumulated losses | Total | Non-controlling interests | Total |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 (NOTE) | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 April 2011 (audited) | 18,824 | 41,170 | 7,382,924 | 51,655 | 3,781 | 16,157 | (897) | (7,414,361) | 99,453 | 4,383 | 103,836 |
| Exchange difference arising on translation | - | - | - | - | - | - | (897) | - | (897) | 268 | (629) |
| Loss for the period | - | - | - | - | - | - | - | (19,969) | (19,969) | (836) | (20,805) |
| Total comprehensive expense for the period | - | - | - | - | - | - | (897) | (19,969) | (20,866) | (568) | (21,434) |
| At 30 September 2011 (unaudited) | 18,824 | 41,170 | 7,382,924 | 51,655 | 3,781 | 16,157 | (1,594) | (7,434,330) | 78,587 | 3,815 | 82,402 |
| At 1 April 2012 (audited) | 18,824 | 41,170 | 7,382,924 | 51,655 | 3,781 | 16,157 | (6,712) | (7,456,960) | 50,839 | 3,058 | 53,897 |
| Exchange difference arising on translation | - | - | - | - | - | - | 1,659 | - | 1,659 | (32) | 1,627 |
| Profit for the period | - | - | - | - | - | - | - | 226,750 | 226,750 | 16,441 | 243,191 |
| Total comprehensive expense for the period | - | - | - | - | - | - | 1,659 | 226,750 | 228,409 | 16,409 | 244,818 |
| Acquisition of a subsidiary (note 15) | - | - | - | - | - | - | - | - | - | 5,859 | 5,859 |
| Conversion of non-voting convertible preference shares into ordinary shares (note 13) | 36 | (6,905) | 6,869 | - | - | - | - | - | - | - | - |
| Disposal of subsidiaries | - | - | - | - | - | - | 4,966 | (4,966) | - | - | - |
| Dividend paid to non-controlling shareholders | - | - | - | - | - | - | - | - | - | (13,615) | (13,615) |
| At 30 September 2012 (unaudited) | 18,860 | 34,265 | 7,389,793 | 51,655 | 3,781 | 16,157 | (87) | (7,235,176) | 279,248 | 11,711 | 290,959 |

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2012

| | NOTES | Six months ended 30 September | |
|--|-------|---------------------------------|---------------------------------|
| | | 2012 HK\$'000 (unaudited) | 2011 HK\$'000 (unaudited) |
| OPERATING ACTIVITIES | | | |
| Loss before taxation from continuing operations | | (10,315) | (12,156) |
| Profit (loss) before taxation from discontinued operations | | 253,611 | (8,623) |
| | | 243,296 | (20,779) |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | | 1,598 | 2,182 |
| Amortisation of intangible assets | | – | 6,318 |
| Allowance on bad and doubtful debts, net | | 1,205 | 4,081 |
| Allowance for contract costs incurred | | – | 1,623 |
| Bank interest income | | (92) | (164) |
| Interest on borrowing wholly repayable within five years | | 589 | 580 |
| Imputed interest expense on non-current interest free amount due to a director of a subsidiary | | 884 | 669 |
| Share of loss of associates | | 1,023 | – |
| Gain on disposal of subsidiaries | | (255,141) | – |
| Provision of warranty | | 66 | – |
| Other non-cash-items | | – | 109 |
| Operating cash flows before movements in working capital | | (6,572) | (5,381) |
| Decrease in inventories | | – | 175 |
| Increase in amounts due from customers for contract work | | – | (67) |
| Increase in trade and other receivables | | (10,964) | (8,741) |
| Increase in amounts due to customers for contract work | | – | 30 |
| Decrease in trade and other payables | | (9,056) | (5,241) |
| Decrease in deferred income | | (5,098) | (4,931) |
| Decrease in warranty provision | | (195) | – |
| Other operating cash flows | | – | (5) |

**CONDENSED CONSOLIDATED STATEMENT OF
CASH FLOWS** *(Continued)**For the six months ended 30 September 2012*

| | NOTES | Six months ended 30 September | |
|--|-------|--|--|
| | | 2012 HK\$'000 <i>(unaudited)</i> | 2011 HK\$'000 <i>(unaudited)</i> |
| Cash use in operation | | (31,885) | (24,161) |
| Enterprise income tax ("EIT") paid | | (380) | – |
| NET CASH USED IN OPERATING ACTIVITIES | | (32,265) | (24,161) |
| INVESTING ACTIVITIES | | | |
| Net proceeds on disposal of subsidiaries | 16 | 229,253 | – |
| Acquisition of a subsidiary | 15 | 3,638 | – |
| Interest received | | 92 | 164 |
| Purchases of property, plant and equipment | | (2,490) | (7) |
| NET CASH FROM INVESTING ACTIVITIES | | 230,493 | 157 |
| CASH USED IN FINANCING ACTIVITY | | | |
| Dividend paid to a non-controlling shareholder | | (13,615) | – |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | 184,613 | (24,004) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD | | 37,987 | 81,474 |
| EFFECT OF FOREIGN EXCHANGE RATE CHANGES | | (121) | 128 |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash | | 222,479 | 57,598 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2012

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”).

During the six months ended 30 September 2012, the Group disposed of the entire equity interests in Park Wealth International Limited and its subsidiaries (“Park Wealth Group”) and 70% equity interests of each of Acme Day Limited and Fastmind Investments Limited and their subsidiaries (“Mining Group”), the details of the disposal are set out in note 16. Park Wealth Group and Mining Group carried out the Group’s direct drinking water, purification equipment and environmental engineering and mining operations respectively. Accordingly, Park Wealth Group and Mining Group’s results are classified as discontinued operations. Upon disposal of 70% equity interest in Mining Group, the Group still retains 30% equity interest in Mining Group which is treated as associates.

During the six months ended 30 September 2012, the Group acquired 60% equity interests in United (Fujian) Corporate Management Limited (“United Fujian”), the principal activities of United Fujian are provision of corporate management consultancy services and trading of goods. Details of this acquisition are set out in note 15.

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.

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

For the six months ended 30 September 2012

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair values of the consideration given in exchange for goods.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2012 except as described below.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are mandatorily effective for the current interim period.

The application of these 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.

In addition, the Group has applied the following accounting policy for investments in associates during the current interim period.

"Interests in associates"

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2012

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

The results and assets and liabilities of associates are incorporated in these condensed consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5 *Non-current Assets held for Sale and Discontinued Operation*. Under the equity method, investments in associates are initially recognised in the condensed consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2012

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group."

3. REVENUE AND SEGMENT INFORMATION

During the six months ended 30 September 2012, the Group disposed of the entire equity interests in Park Wealth Group and 70% equity interests in Mining Group. Therefore, the operations of these two groups are classified as discontinued operations and the comparative figures are re-presented.

In addition, the Group acquired 60% equity interests in a subsidiary, United Fujian during the six months ended 30 September 2012, the principal activities of United Fujian are provision of corporate management consultancy services and trading of goods. The consultancy services and trading activities rendered by United Fujian during the six months ended 30 September 2012 are classified as continuing operations.

Continuing operations

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

| | Six months ended 30 September | |
|----------------------|--|--|
| | 2012 HK\$'000 (unaudited) | 2011 HK\$'000 (unaudited/ restated) |
| Consultancy services | 2,314 | – |
| Trading of goods | 8,130 | – |
| | 10,444 | – |

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

For the six months ended 30 September 2012

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Continuing operations *(Continued)*

The segment information reported externally were consultancy and trading activities rendered by United Fujian 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:

New continuing operations carried out by United Fujian

- | | | |
|----------------------|---|---|
| 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 |

Discontinued operations carried out by Park Wealth Group

- | | | |
|---------------------------|---|---|
| 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 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2012

3. REVENUE AND SEGMENT INFORMATION (Continued)

Discontinued operations carried out by Mining Group

- Mining
- Exploration of gold and copper (mining segment was already treated as discontinued operation for the year ended 31 March 2012)

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 2012

| | Consultancy services HK\$'000 | Trading of goods HK\$'000 | Total HK\$'000 |
|--------------------------------|--|--|---------------------------|
| REVENUE | | | |
| External sales | 2,314 | 8,130 | 10,444 |
| RESULT | | | |
| Segment result | (1,330) | 369 | (961) |
| Unallocated income | | | 92 |
| Unallocated corporate expenses | | | (8,423) |
| Share results of associates | | | (1,023) |
| Loss before taxation | | | (10,315) |

Details of discontinued operations are set out in note 6.

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

For the six months ended 30 September 2012

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

| | 30 September 2012 HK\$'000 <i>(unaudited)</i> |
|--|--|
| ASSETS | |
| <i>Segment assets</i> | |
| Assets relating to continuing operations | |
| Consultancy services | 4,975 |
| Trading of goods | 9,486 |
| Total segment assets | 14,461 |

Details of assets and liabilities of the discontinued operations are set out in note 16.

4. OTHER INCOME, GAINS AND LOSSES

| | Six months ended 30 September | |
|------------------------------|--|--|
| | 2012 HK\$'000 <i>(unaudited)</i> | 2011 HK\$'000 <i>(unaudited/ restated)</i> |
| Continuing operations | | |
| Bank interest income | 92 | 129 |
| Others | (326) | 59 |
| | (234) | 188 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2012

5. INCOME TAX EXPENSE

| | Six months ended 30 September | |
|---|----------------------------------|--|
| | 2012 HK\$'000 (unaudited) | 2011 HK\$'000 (unaudited/ restated) |
| Continuing operations | | |
| Current tax – PRC Enterprise Income Tax | 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%.

6. DISCONTINUED OPERATIONS

On 5 June 2012, the Group disposed of 70% equity interest in 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 and the comparative figures in the condensed consolidated statement of comprehensive income are re-presented.

On 27 September 2012, the Group disposed of 100% equity interest in 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 and the comparative figures in the condensed consolidated statement of comprehensive income are re-presented.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2012

6. DISCONTINUED OPERATIONS (Continued)

The results of the discontinued operations for the period were as follows:

| | Six months ended 30 September | |
|--|----------------------------------|--|
| | 2012 HK\$'000 (unaudited) | 2011 HK\$'000 (unaudited/ restated) |
| Loss of operations for the period | (1,530) | (8,649) |
| Gain on disposal of subsidiaries (note 16) | 255,141 | - |
| | 253,611 | (8,649) |

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

| | Mining Group Six months ended 30 September | | Park Wealth Group Six months ended 30 September | | Total Six months ended 30 September | |
|--------------------------------|--|---------------------------------|---|---------------------------------|---|---------------------------------|
| | 2012 HK\$'000 (unaudited) | 2011 HK\$'000 (unaudited) | 2012 HK\$'000 (unaudited) | 2011 HK\$'000 (unaudited) | 2012 HK\$'000 (unaudited) | 2011 HK\$'000 (unaudited) |
| Revenue | - | - | 11,873 | 14,259 | 11,873 | 14,259 |
| Cost of sales | - | - | (784) | (5,408) | (784) | (5,408) |
| Other income, gains and losses | (938) | (31) | 1,701 | 131 | 763 | 100 |
| Selling expenses | - | - | (48) | (1,171) | (48) | (1,171) |
| Administrative expenses | (10,536) | (8,389) | (1,323) | (6,765) | (11,859) | (15,154) |
| Finance costs | - | - | (1,473) | (1,249) | (1,473) | (1,249) |
| (Loss) profit before taxation | (11,474) | (8,420) | 9,946 | (203) | (1,528) | (8,623) |
| Income tax expense | - | - | (2) | (26) | (2) | (26) |
| (Loss) profit for the period | (11,474) | (8,420) | 9,944 | (229) | (1,530) | (8,649) |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2012

6. DISCONTINUED OPERATIONS (Continued)

(Loss) profit for the current and preceding interim periods from discontinued operations include the following:

| | Mining Group | | Park Wealth Group | | Total | |
|---|------------------|-------------|-------------------|-------------|------------------|-------------|
| | Six months ended | | Six months ended | | Six months ended | |
| | 30 September | | 30 September | | 30 September | |
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Amortisation of intangible assets | - | (6,318) | - | - | - | (6,318) |
| Depreciation of property, plant and equipment | - | - | (959) | (2,170) | (959) | (2,170) |

During the six months ended 30 September 2012, the discontinued operations used approximately HK\$10,364,000 (six months ended 30 September 2011: HK\$534,000) for Mining Group and approximately HK\$2,338,000 (six months ended 30 September 2011: HK\$21,487,000) for Park Wealth Group to the Group's net operating cash outflows.

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

For the six months ended 30 September 2012

7. PROFIT (LOSS) FOR THE PERIOD

Profit (loss) for the period from continuing operations has been arrived at after charging:

| | Six months ended 30 September | |
|---|--|--|
| | 2012 HK\$'000 <i>(unaudited)</i> | 2011 HK\$'000 <i>(unaudited/ restated)</i> |
| Directors' emoluments | 907 | 1,206 |
| Other staff costs | 3,549 | 1,759 |
| Other staff retirement benefit scheme contributions | 219 | 28 |
| Total staff costs | 4,675 | 2,993 |
| Depreciation of property, plant and equipment | 639 | 12 |

8. 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 2012***9. EARNINGS (LOSS) PER SHARE****From continuing and discontinued operations**

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 | |
|---|--|--------------------|
| | 2012 | 2011 |
| | HK\$'000 | HK\$'000 |
| | <i>(unaudited)</i> | <i>(unaudited)</i> |
| <hr/> | | |
| Profit and loss | | |
| Profit (loss) for the period attributable to owners of the Company for the purpose of earnings (loss) per share | 226,750 | (19,969) |
| <hr/> | | |
| Number of shares | | |
| Weighted average number of shares for the purpose of basic and diluted earnings (loss) per share <i>(note)</i> | 19,039,072,320 | 19,039,072,320 |
| <hr/> | | |

Note: The weighted average number of shares for the purposes of basic and diluted earnings or loss 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2012

9. EARNINGS (LOSS) PER SHARE (Continued)

From continuing operations

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

| | Six months ended 30 September | |
|--|--|--|
| | 2012 HK\$'000 (<i>unaudited</i>) | 2011 HK\$'000 (<i>unaudited/ restated</i>) |
| Profit and loss | | |
| Profit (loss) for the period attributable to owners of the Company | 226,750 | (19,969) |
| Less: Profit (loss) for the period from discontinued operations | 237,144 | (7,813) |
| Loss for the purposes of basic and diluted loss per share from continuing operations | (10,394) | (12,156) |

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

During the six months ended 30 September 2011 and 2012, 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 (basic and diluted loss per share for the six months ended 30 September 2011: HK0.04 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 (loss for the six months ended 30 September 2011: HK\$7,813,000), and the denominators used are the same as those detailed above for both basic and diluted earnings or loss per share.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)**For the six months ended 30 September 2012***10. 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 2012 (audited) | 13,085 |
| Additions | 2,490 |
| Depreciation | (1,598) |
| Acquisition of a subsidiary | 876 |
| Disposal of subsidiaries | (11,984) |
| Exchange adjustments | (137) |
| Carrying amounts as at 30 September 2012 (unaudited) | 2,732 |

11. TRADE AND OTHER RECEIVABLES

| | 30 September 2012 HK\$'000 (unaudited) | 31 March 2012 HK\$'000 (audited) |
|--------------------------|---|---|
| Trade receivables | 1,807 | 14 |
| Bills receivables | 8,560 | – |
| Other receivables | 1,629 | 516 |
| Prepayments and deposits | 1,121 | 1,369 |
| | 13,117 | 1,899 |

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

For the six months ended 30 September 2012

11. TRADE AND OTHER RECEIVABLES *(Continued)*

The following is an aged analysis of trade and bills receivables of the Group net of allowance for doubtful debts presented based on invoice date at the end of the reporting period:

| | 30 September 2012 HK\$'000 (unaudited) | 31 March 2012 HK\$'000 (audited) |
|--|---|---|
| 0 to 30 days (trade and bills receivables) | 9,959 | 14 |
| 31 to 90 days (trade receivables) | 408 | – |
| | 10,367 | 14 |

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

12. TRADE AND OTHER PAYABLES

| | 30 September 2012 HK\$'000 (unaudited) | 31 March 2012 HK\$'000 (audited) |
|-----------------------------------|---|---|
| Trade payables | – | 4,448 |
| Other payables | 357 | 4,344 |
| Other tax payables | 300 | 18,365 |
| Receipt in advance from customers | 757 | 26,189 |
| Accruals | 1,646 | 1,791 |
| | 3,060 | 55,137 |

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

For the six months ended 30 September 2012

12. TRADE AND OTHER PAYABLES *(Continued)*

Trade payables as at 31 March 2012 principally comprised amounts outstanding for purchase of raw materials. The average credit period for purchase of raw materials ranged from 30 days to 180 days.

The following is an aged analysis of trade payables presented based on invoice date:

| | 30 September 2012 HK\$'000 (unaudited) | 31 March 2012 HK\$'000 (audited) |
|----------------|---|---|
| 0 – 30 days | – | 928 |
| 91 – 180 days | – | 1,131 |
| 181 – 365 days | – | 263 |
| Over 1 year | – | 2,126 |
| | – | 4,448 |

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

For the six months ended 30 September 2012

13. SHARE CAPITAL

| | Number of shares | Amount HK\$'000 |
|--|---------------------|--------------------|
| Authorised: | | |
| Ordinary shares of HK\$0.001 each | | |
| At 1 April 2011, 30 September 2011, 1 April 2012 and 30 September 2012 | 498,000,000,000 | 498,000 |
| Non-voting convertible preference shares of HK\$0.001 each | | |
| At 1 April 2011, 30 September 2011, 1 April 2012 and 30 September 2012 | 2,000,000,000 | 2,000 |
| Issued and fully paid: | | |
| Ordinary shares of HK\$0.001 each | | |
| At 1 April 2011, 30 September 2011 and 1 April 2012 | 18,824,435,160 | 18,824 |
| Conversion of non-voting convertible preference shares into ordinary shares | 36,000,000 | 36 |
| At 30 September 2012 | 18,860,435,160 | 18,860 |
| Non-voting convertible preference shares of HK\$0.001 each | | |
| At 1 April 2011, 30 September 2011 and 1 April 2012 | 214,637,160 | 41,170 |
| Conversion of non-voting convertible preference shares into ordinary shares | (36,000,000) | (6,905) |
| At 30 September 2012 | 178,637,160 | 34,265 |

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

For the six months ended 30 September 2012

14. 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 | |
| | 2012 | 2011 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | <i>(Unaudited)</i> |
| Short-term benefits | 2,088 | 2,508 |
| Retirement benefits scheme contribution | 20 | 28 |
| | 2,108 | 2,536 |

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 2012

15. ACQUISITION OF A SUBSIDIARY

For the six months ended 30 September 2012

On 26 April 2012, the Group acquired 60% equity interests in United Fujian by capital injection of RMB7,500,000, equivalent to approximately HK\$9,250,000, to diversify its business scope and widen its revenue base. The principal activities of United Fujian are provision of corporate management consultancy services and trading of goods.

Capital injection

| | HK\$'000 |
|------|----------|
| Cash | 9,250 |

Acquisition costs were insignificant and have been excluded from the cost of acquisition and have been recognised as an expense in the period within the “administrative expense” line item in the condensed consolidated statement of comprehensive income.

Assets and liabilities recognised at the date of acquisition

| | HK\$'000 |
|-------------------------------|----------|
| Net assets acquired | |
| Property, plant and equipment | 876 |
| Trade and other receivables | 4,023 |
| Cash investment | 9,250 |
| Bank balances and cash | 3,638 |
| Trade and other payables | (2,465) |
| Tax payable | (675) |
| | 14,647 |

The trade and other receivables acquired with a fair value of approximately HK\$4,023,000 had gross contractual amounts of approximately HK\$4,023,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2012

15. ACQUISITION OF A SUBSIDIARY (Continued)

Goodwill arising on acquisition

| | HK\$'000 |
|--|------------|
| Cash investment | 9,250 |
| Add: non-controlling interests (note) | 5,859 |
| Less: net assets acquired | (14,647) |
| Goodwill arising on acquisition | 462 |

Note: The non-controlling interest in United Fujian of approximately HK\$5,859,000 was measured by reference to the proportionate share of the acquiree's net identifiable assets at the acquisition date.

For the six months ended 30 September 2012

Goodwill arose on the acquisition of United Fujian because the acquisition included the assembled workforce, which is an existing collection of employees that permits the acquirer to continue to operate an acquired business from the acquisition date. These assets could not be separately recognised from goodwill because they are not capable of being separated from United Fujian and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash inflow arising on acquisition

| | HK\$'000 |
|--|--------------|
| Bank balances and cash acquired | 3,638 |

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

For the six months ended 30 September 2012

15. ACQUISITION OF A SUBSIDIARY *(Continued)*

Impact of acquisition on the results of the Group

Included in the profit for the interim period is loss of approximately HK\$955,000 attributable by United Fujian. Revenue for the period includes approximately HK\$10,444,000 in respect of United Fujian.

Had the acquisition of United Fujian been effected at 1 April 2012, the revenue of the Group for the six months ended 30 September 2012 would have been approximately HK\$10,853,000, and the Group's profit for the period would have been approximately HK\$243,135,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at 1 April 2012, nor is intended to be a projection of future results.

16. DISPOSAL OF SUBSIDIARIES

For the six months ended 30 September 2012

(a) Disposal of Park Wealth Group

On 27 September 2012, the Group disposed of its 100% equity interests in Park Wealth Group to an independent third party at a consideration of HK\$78,500,000. According to the sale and purchase agreement, the Group is obliged to pay HK\$10,000,000 to Park Wealth Group as operating fund at date of disposal.

The Park Wealth Group was engaged in lease of direct drinking water purification machines, royalty income for use of Park Wealth Group's brand name, manufacturing and sales of air purification and water purification equipment, and construction and installation of air purification and sewage treatment system.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2012

16. DISPOSAL OF SUBSIDIARIES (Continued)**For the six months ended 30 September 2012** (Continued)(a) *Disposal of Park Wealth Group* (Continued)

HK\$'000

Consideration satisfied by:

| | |
|--|----------|
| Cash consideration | 78,500 |
| Operating fund paid to Park Wealth Group | (10,000) |

68,500

Analysis of assets and liabilities over which control was lost:

| | |
|--|----------|
| Property, plant and equipment | 11,984 |
| Trade and other receivables | 1,931 |
| Bank balances and cash | 836 |
| Amounts due to customers for contract work | (900) |
| Trade and other payables | (45,694) |
| Tax payable | (997) |
| Warranty provision | (1,431) |
| Deferred income | (13,895) |
| Amount due from a director of a subsidiary | (22,902) |
| Borrowings | (16,469) |
| Customer's deposit | (10,000) |

Net liabilities disposed of (97,537)

Gain on disposal of subsidiaries:

| | |
|--|----------|
| Cash consideration | 78,500 |
| Operating fund paid to Park Wealth Group | (10,000) |
| Net liabilities disposed of | 97,537 |

Gain on disposal 166,037

Net cash inflow arising on disposal:

| | |
|--|----------|
| Cash consideration | 78,500 |
| Operating fund paid to Park Wealth Group | (10,000) |
| Bank balances and cash disposed of | (836) |

67,664

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2012

16. DISPOSAL OF SUBSIDIARIES (Continued)

For the six months ended 30 September 2012 (Continued)

(b) *Disposal of Mining Group*

On 5 June 2012 the Group disposed of its 70% equity interests in the Mining Group to an independent third party for a consideration of US\$21,000,000, equivalent to approximately HK\$161,604,000. The Mining Group has been classified as assets held for sale and presented separately in the consolidated statement of financial position as at 31 March 2012. The Group through a 90% owned subsidiary still retains 30% equity interest in the Mining Group which is treated as associates of the Group.

The Mining Group was engaged in exploration of gold and copper in the Republic of Kyrgyz.

HK\$'000

Consideration satisfied by:

Cash

161,604

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2012

16. DISPOSAL OF SUBSIDIARIES (Continued)**For the six months ended 30 September 2012** (Continued)(b) *Disposal of Mining Group* (Continued)**Analysis of assets and liabilities as below:**

| | 5/6/2012 | 31/3/2012 |
|--------------------------|-----------------|-----------|
| | HK\$'000 | HK\$'000 |
| Intangible assets | 122,598 | 122,598 |
| Prepayments | 6,119 | 6,119 |
| Bank balances and cash | 15 | 84 |
| Trade and other payables | (1,903) | (1,263) |
| Net assets disposed of | 126,829 | 127,538 |

| | HK\$'000 |
|---|------------------|
| Gain on disposal of subsidiaries: | |
| Cash consideration (note i) | 161,604 |
| Fair value of 30% residual equity interest in Mining Group at 5 June 2012 (note 17) (note ii) | 56,648 |
| Net assets disposed of | (126,829) |
| Disposal-related expenses | (2,319) |
| Gain on disposal | 89,104 |
| Net cash inflow arising on disposal: | |
| Cash consideration (note i) | 161,604 |
| Bank balances and cash disposed of | (15) |
| | 161,589 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2012

16. DISPOSAL OF SUBSIDIARIES (Continued)

For the six months ended 30 September 2012 (Continued)

(b) Disposal of Mining Group (Continued)

Notes:

- i The sales proceed was released from the escrow account and received by the Group during the six months ended 30 September 2012.
- ii This 30% equity interest in Mining Group was assessed by the directors with reference to the valuation at the disposal date performed by BMI Appraisals Limited. The value was determined by BMI Appraisals Limited using a cash flow projection based on financial budgets approved by the management and certain key assumptions including a discount rate of 26.3% and expected market prices of gold and copper in forecast period. In addition, the cash flow projections were prepared based on (a) the operation of Mining Group will be ceased in 2041 and (b) the forecast of mine ores can be extracted.

17. INTERESTS IN ASSOCIATES

| | HK\$'000 |
|---|----------|
| Cost of interest in associates (note 16(b)) | 56,648 |
| Share of post-acquisition loss | (1,023) |
| | 55,625 |

As disclosed in note 16, the Group disposed of 70% equity interest in the Mining Group during the six months ended 30 September 2012. After the disposal, the Group lost control over the financial and operating policies of the Mining Group and the Mining Group has become associates of the Group thereafter. The cost of interest in associates mainly represents the mining license of the associates at the acquisition date. As at 30 September 2012, the Mining Group is still under exploration and evaluation stage.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2012

17. INTERESTS IN ASSOCIATES (Continued)

As at 30 September 2012, the Group had interest in the following associates through a non-wholly owned subsidiary:

| Name of associates | Place of incorporation/ establishment/ operation | Issued and fully paid up share capital/ registered capital | Equity interest | | Principal activities | Legal form |
|--|--|--|---------------------------|----------|--|--------------------------------------|
| | | | attributable to the Group | | | |
| | | | 30 September | 31 March | | |
| | | | 2012 | 2012 | | |
| | | | % | % | | |
| Fastmind Investments Limited | Hong Kong | HK\$100 | 27 | 90 | Investment holding of mining operation | Private limited liability company |
| Acme Day Limited | Hong Kong | HK\$100 | 27 | 90 | Investment holding of mining operation | Private limited liability company |
| Tunlin Limited Liability Company | Republic of Kyrgyz | KGS5,000 | 27 | 90 | Investment holding of mining operation | Limited liability company |
| Kichi-Chaarat Closed Joint Stock Company | Republic of Kyrgyz | KGS10,000 | 27 | 90 | Mining, processing and sales of gold and copper | 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.

At 30 September 2012, the Mining Group is 30% owned associates of Eagle Mountain Holdings Limited which is owned by the Group by 90%. Therefore the Group effectively holds 27% interest in Mining Group.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT EVENTS

Acquisition of United Fujian

On 13 March 2012, a capital injection agreement was entered into by the Group to invest in United (Fujian) Enterprise Management Co., Ltd. ("United Fujian"). In April 2012, RMB7.5 million (equivalent to approximately HK\$9,250,000) was injected into United Fujian and the injected capital was properly verified by the relevant PRC government authorities. United became a 60% subsidiary of the Group accordingly.

United Fujian is a wholly foreign-owned enterprise established in the PRC in 2008 and is principally engaged in the provision of corporate management consulting services, provision of international economy, technology and environmental protection related data and consultancy services, system management and maintenance, information technology support and management, human resources services, software development, data processing and process outsourcing. United is also engaged in the wholesale of textile, clothing, daily consumables, cultural and sports products, handicrafts, construction materials, machines and equipments, hardware and electrical appliances and electronic products.

Disposal of 70% of gold mine

On 6 January 2012, the Group and China National Gold Group Corporation ("China Gold Group") entered into a sale agreement to dispose 70% interest in two subsidiaries, Fastmind Investments Limited and Acme Day Limited, which are the beneficiary owners of a company with exploration license and mining license for a gold mine in Republic of Kyrgyz at a total consideration of USD21,000,000 (equivalent to approximately HK\$161,604,000).

The disposal was completed on 5 June 2012 and the net consideration was received subsequently and a gain of HK\$89,104,000 was recognised in the Current Period. After the disposal, Fastmind Investments Limited and Acme Day Limited become associated companies of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

SIGNIFICANT EVENTS *(Continued)*

Disposal of Park Wealth

On 22 June 2012, a sale and purchase agreement was entered into pursuant to which the Group agreed to dispose the entire issued capital of Park Wealth Limited (“Park Wealth”, together with its subsidiaries collectively referred to as the “Park Wealth Group”) and the shareholder’s loan to Park Wealth for an aggregate consideration of HK\$78,500,000.

Park Wealth hold 100% of shareholding of Shanghai Comfort Environment and Science Co., Ltd which is principally engaged in the leasing of direct drinking water purification machines, the manufacturing and sale of air purification and water purification equipment, and construction and installation of air purification and sewage treatment system in the PRC.

The disposal was completed on 27 September 2012 and the consideration was received. Because of the unsatisfactory performance of the Park Wealth Group in the previous years and significant impairment losses in respect of assets and goodwill were recorded, HK\$166,037,000 gain was recognized in this disposal.

OVERALL RESULTS

The Group recorded a turnover of HK\$10,444,000 and a gross profit of HK\$1,303,000 for the Current Period which were generated from the newly acquired United Fujian. The turnover and gross profit for the corresponding period of 2011, which were generated from Park Wealth Group, were restated and disclosed as the discontinued operation in view of the disposal of Park Wealth. The Group recorded a profit of HK\$243,191,000 for the Current Period while a loss of HK\$20,805,000 for the corresponding period of 2011 were recorded. The profit for the Current Period was mainly due to the gain of HK\$166,037,000 resulted from the disposal of the entire interest of Park Wealth Group and the gain of HK\$89,104,000 resulted from the disposal of 70% shareholding in the gold mine in Republic of Kyrgyz.

The earnings per share from continuing and discontinued operations of the Group for the Current Period was HK1.19 cents (the corresponding period of 2011: loss per share of HK0.10 cent). For continuing operations only, there is a loss of HK0.05 cent (2011: HK0.06 cent) for the Current Period. The Board does not recommend the payment of dividend for the Current Period.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS

United Fujian

United Fujian is principally engaged in provision of consultancy service, trading of goods and construction, operation and maintenance of websites and/or e-commerce platform. Details of different segments are as follows:

(a) Provision of consultancy services

The consultancy services provided by United Fujian to its clients include a comprehensive scope of assessment for its client's business on internal control system, operating strategy, budgeting, personnel retention and training, information technology support, cost control, administrative functions and logistics system. United Fujian also conducts market research and analysis and develops applicable management software for its clients. In the Current Period, United Fujian had a total of five clients, including the Company. Each client will pay RMB1 million to RMB2 million consultancy fee annually. For the Current Period, the turnover recorded for this segment was HK\$2,314,000 and the segment loss was HK\$1,330,000.

(b) Trading of goods

With the introduction through one of the existing clients principally engaged in property development, United Fujian entered into a contract with a state-owned enterprise principally engaged in property and highway construction in the PRC in the second half of 2012 to source construction materials for its property development projects. Along with the completion of the property project of the client, United Fujian may further enter into a contract therewith to source branded products for the shopping outlet being developed by the client at the site. The turnover recorded for this segment for the Current Period was HK\$8,130,000 and the segment profit was HK\$369,000.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

United Fujian *(Continued)*

(c) *Construction, operation and maintenance of websites and/or e-commerce platforms*

United Fujian also extended its business scope to the construction, operation and maintenance of website and e-commerce platforms for its clients with a view to promoting the clients' upcoming projects and establishing an online shopping platform of the clients' products. In the Current Period, a contract with a new client principally engaged in trading of red wine in the PRC in respect of the establishment of e-commerce platform for its trading business, market research on red wine market, operation and maintenances of the commence platform to be established for a period of six years August 2018. Under this agreement, United Fujian shall be entitled to 28% of the profit generated by the client from this project for its provision of the services. As the e-commerce platform is still under construction as at 30 September 2012, no contribution was generated for the Current Period.

Gold Mine

Upon completion of the disposal of 70% interest of the gold mine to China Gold Group, our investment in the gold mine was recorded as associated companies and its result will be accounted for by using equity method. As no mining work has yet to commence, the loss shared by the Group in the Current Period was HK\$1,023,000 which represent mainly salaries and professional fees incurred. The value of our 30% interest in the gold mine was assessed on 5 June 2012, the completion date of the disposal, and the fair value of HK\$56,648,000 was recorded as our investment cost.

A revised feasibility study with the expected increase in the capacity of the mine operations had been submitted to the government of Republic of Kyrgyz for approval. Subject to the approval of the feasibility study, the construction and preparation work of the mining site is expected to be commenced in early 2013.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW

Finance Position and Liquidity

As at 30 September 2012, the total assets and liabilities of the Group stood at HK\$294,415,000 and HK\$3,456,000 respectively. Non-current assets amounted to HK\$58,819,000 which comprised mainly the investment 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\$235,596,000 which comprised mainly deposits, prepayment and other receivables and bank balance and cash. Current liabilities amounted to HK\$3,456,000 which comprised mainly accruals and other payables. There was no long-term loan and borrowing.

The Group recorded net current assets of HK\$232,140,000 as at 30 September 2012 (31 March 2012: HK\$98,384,000) and the current ratio was 68.17 (31 March 2012: 2.40). The significant improvement of the current assets and current ratio was mainly deal to increase in cash and bank balances as a result of the disposal of the Park Wealth Group and 70% gold mine and decrease of trade and other payables, deferred income and other liabilities as a result of disposal of the Park Wealth Group.

The bank balance as at 30 September 2012 was HK\$222,479,000 (31 March 2012: HK\$37,903,000), of which most were denominated in Hong Kong dollars, US dollars and Renminbi.

Gearing Ratio

The gearing ratio of the Group, which was expressed as a percentage of total borrowings to equity attributable to shareholders, as at 30 September 2012 was 0% (31 March 2012: 76.13%). The zero gearing ratio recorded in the Current Period because the borrowings and an amount due to a director of a subsidiary recorded in Park Wealth Group were disposed of and no new loan was created and outstanding as at 30 September 2012.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Financial Resources

The Group currently finances its operations mainly by internally generated funds, and other loans. 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

On 5 September 2012, 36,000,000 shares of Non-voting Convertible Preference Shares were converted to 36,000,000 shares of Ordinary Shares. As at 30 September 2012, the Group had issued 18,860,435,160 shares (31 March 2012: 18,824,435,160 shares) of Ordinary Shares and 178,637,160 shares (31 March 2012: 214,637,160 shares) of Non-voting Convertible Preference Shares. The equity attributable to shareholders as at 30 September 2012 was HK279,248,000 (31 March 2012: HK\$50,839,000) and the increment was mainly due to the gains from disposal of Park Wealth Group and 70% interest in gold mine recorded in the Current Period.

Charges on Assets

As at 30 September 2012, the Group had no charge on assets (31 March 2012: Nil).

Contingent Liabilities

As at 30 September 2012, the Group had no contingent liabilities (31 March 2012: Nil).

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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2012, the Group had approximately 12, 1 and 29 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 2012.

FUTURE PLAN AND PROSPECTS

As United Fujian possesses teams of outstanding professionals in investment evaluation, enterprise management and business information analysis, apart from provision of consultancy service to its clients, United Fujian is able to provide the Group with quality services such as project identification, assessment, and business information analysis on potential investments in a wide range of industries. United Fujian also has the competence and experience to provide project management and management enhancement services to the Group's investment projects in the PRC in the future and will help enhance their operational efficiency and competitiveness.

Apart from the provision of general management consultancy services which is expected to have greater potential and better prospect due to the booming economy and growing demand from enterprises in the PRC, United Fujian has been engaged by two large-scale commercial property developers in the PRC to provide them with services on investment planning, commercial management and sourcing of branded products. As United Fujian has the channels and qualifications to engage in the promotion and sale of international and domestic branded products in the PRC, it is expected that the scope of business of the Group can be further diversified and expand the income source in future.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FUTURE PLAN AND PROSPECTS *(Continued)*

For the gold mine in Republic of Kyrgyz, with the strong background and expertise and relevant industry experience of China Gold Group as a partner, mining work is expected to be commenced in 2014 subject to the progress of the approval of the feasibility study. In view of the high demand of the precise metal, the Group believe that this investment can generate lucrative return in near future.

The management promises that the resources of the Group will be properly managed and utilized. We will continue to seize any opportunity to realize the value of the assets held and to identify potential business opportunity to diversify the business scope in order to maximize the value of the Group and return for our 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 2012:

| Category of participant | Exercise period | Outstanding at 1 April 2012 | Outstanding at 30 September 2012 |
|-------------------------|------------------------|-----------------------------------|--|
| 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 |
| Grand 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. No share options were exercised, lapsed or cancelled during the six months ended 30 September 2012.

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

As at 30 September 2012, 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 | Options to Subscribe for Shares of the Company | 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 <i>(Note 1)</i> | 68.33% |
| | Beneficial owner | 9,000,000 <i>(Note 2)</i> | - | 0.05% |
| Lam Man Kit, Dominic | Beneficial owner | 9,000,000 <i>(Note 2)</i> | - | 0.05% |

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.
- (2) Pursuant to the share option scheme adopted by a resolution of the Shareholders on 17 September 2004, these share options were granted on 17 July 2008 and are exercisable at HK\$0.532 per Share (after share subdivision on 3 August 2009) from 17 July 2008 to 16 September 2014.

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 | | | Number of ordinary shares (long positions) | |
|------------------|--------------------------------|---------------------------|-------------------|-----------------|---|--|
| | | by controlled corporation | Personal interest | 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 2012, 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 2012 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 2012, 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 <i>(Note 1)</i> | 12,887,473,880 | Direct Beneficial owner | 68.33% |

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 2012, 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 2012.

AUDIT COMMITTEE

On 30 September 2012, 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 2012 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 2012 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 2012 except for the following deviations:

ADDITIONAL INFORMATION *(Continued)*

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES *(Continued)*

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.

CG Code Provision A.1.8 requires that the Company should arrange appropriate insurance cover in respect of legal action against its directors. In the Current Period and up to the date of this report, the Company has been negotiating with various insurance brokers and insurance companies to source such insurance cover and comparing the quotations. The Company will make a decision and purchase such insurance cover in short run.

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

Hong Kong, 23 November 2012