

CHAOYUE GROUP LIMITED

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



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2013 INTERIM
REPORT

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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

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Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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COSCO Tower
183 Queen's Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Tricor Secretaries Limited
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28 Queen's Road East
Hong Kong

STOCK CODE

00147

COMPANY WEBSITE

www.chaoyuehk.com

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 36, which comprises the condensed consolidated statement of financial position as of 30 September 2013 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

29 November 2013

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2013

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

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

For the six months ended 30 September 2013

	NOTES	Six months ended 30 September	
		2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences arising on translation from continuing operations		479	(145)
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation from discontinued operations		–	1,772
		479	1,627
Total comprehensive (expense) income for the period		(25,768)	244,818
(Loss) profit for the period attributable to owners of the Company			
– from continuing operations		(23,858)	(10,394)
– from discontinued operations		–	237,144
(Loss) profit for the period attributable to owners of the Company		(23,858)	226,750
(Loss) profit for the period attributable to non-controlling interests			
– from continuing operations		(2,389)	(26)
– from discontinued operations		–	16,467

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

For the six months ended 30 September 2013

	NOTES	Six months ended 30 September	
		2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
(Loss) profit for the period attributable to non-controlling interests		(2,389)	16,441
		(26,247)	243,191
Total comprehensive (expense) income attributable to:			
Owners of the Company		(23,500)	228,409
Non-controlling interests		(2,268)	16,409
		(25,768)	244,818
(Loss) earnings per share	9		
From continuing and discontinued operations			
Basic (HK cents)		(0.13)	1.19
Diluted (HK cents)		(0.13)	1.19
From continuing operations			
Basic (HK cents)		(0.13)	(0.05)
Diluted (HK cents)		(0.13)	(0.05)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2013

	NOTES	30 September 2013 HK\$'000 (unaudited)	31 March 2013 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	1,937	2,173
Goodwill	11	462	462
Interests in associates	12	36,187	54,081
		38,586	56,716
CURRENT ASSETS			
Trading inventory		891	–
Trade and other receivables	13	6,087	4,405
Financial assets at fair value through profit or loss	14	–	9,906
Bank balances and cash		212,892	214,642
		219,870	228,953
CURRENT LIABILITIES			
Trade and other payables	15	2,809	4,254
NET CURRENT ASSETS			
		217,061	224,699
		255,647	281,415
CAPITAL AND RESERVES			
Share capital	16	19,039	18,876
Reserves		227,719	251,382
Equity attributable to owners of the Company		246,758	270,258
Non-controlling interests		8,889	11,157
		255,647	281,415

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2013

	Attributable to owners of the Company										
	Non-voting convertible		Share premium	Contributed surplus	Capital redemption reserve	Share option reserve	Translation reserve	Accumulated losses	Total	Non-controlling interests	Total
	Share capital	preference shares									
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
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 income for the period	-	-	-	-	-	-	1,659	226,750	228,409	16,409	244,818
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	5,859	5,859
Conversion of non-voting convertible preference shares into ordinary shares (note 16)	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
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 16)	163	(31,289)	31,126	-	-	-	-	-	-	-	-
At 30 September 2013 (unaudited)	19,039	-	7,423,879	51,655	3,781	16,157	377	(7,268,130)	246,758	8,889	255,647

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 2013*

	NOTES	Six months ended 30 September	
		2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
OPERATING ACTIVITIES			
Loss before taxation from continuing operations		(26,247)	(10,315)
Profit before taxation from discontinued operations		–	253,611
		(26,247)	243,296
Adjustments for:			
Depreciation of property, plant and equipment		397	1,598
Allowance on bad and doubtful debts, net		–	1,205
Bank interest income		(271)	(92)
Interest on borrowing wholly repayable within five years		–	589
Imputed interest expense on non-current interest free amount due to a director of a subsidiary		–	884
Share of results of associates		18,130	1,023
Gain on disposal of subsidiaries		–	(255,141)
Provision of warranty		–	66
Net gain from financial assets at fair value through profit or loss		(91)	–
Operating cash flows before movements in working capital		(8,082)	(6,572)
Increase in inventory		(891)	–
Increase in trade and other receivables		(1,513)	(10,964)
Decrease in trade and other payables		(1,354)	(9,056)
Decrease in deferred income		–	(5,098)
Decrease in warranty provision		–	(195)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Continued)

For the six months ended 30 September 2013

	NOTES	Six months ended 30 September	
		2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Cash use in operation		(11,840)	(31,885)
Enterprise income tax ("EIT") paid		-	(380)
NET CASH USED IN OPERATING ACTIVITIES		(11,840)	(32,265)
INVESTING ACTIVITIES			
Proceeds from redemption of financial assets at fair value through profit or loss	14	40,197	-
Interest received		271	92
Purchases of financial assets at fair value through profit or loss	14	(30,016)	-
Purchases of property, plant and equipment		(278)	(2,490)
Net proceeds on disposal of subsidiaries		-	229,253
Acquisition of a subsidiary		-	3,638
NET CASH FROM INVESTING ACTIVITIES		10,174	230,493
CASH USED IN FINANCING ACTIVITY			
Dividend paid to a non-controlling shareholder		-	(13,615)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(1,666)	184,613
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		214,642	37,987
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(84)	(121)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash		212,892	222,479

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2013

1. BASIS OF PREPARATION

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2013.

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

For the six months ended 30 September 2013

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.

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

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

For the six months ended 30 September 2013

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

HKFRS 10 “Consolidated Financial Statements”

HKFRS 10 replaces the parts of HKAS 27 “Consolidated and Separate Financial Statements” that deal with consolidated financial statements and HK-SIC 12 “Consolidation – Special Purpose Entities”. HKFRS10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee; b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

As a result of the application of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The application does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 April 2013.

HKFRS 12 “Disclosure of Interests in Other Entities”

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity’s interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in this interim financial report as a result of adopting HKFRS 12.

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

For the six months ended 30 September 2013

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

HKFRS 13 “Fair Value Measurement”

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures relating to financial instruments to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for ‘fair value’ and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions, the Group has applied HKFRS 13 prospectively. The application of HKFRS 13 in current interim period has no material impact on the amounts reported 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 2013

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Amendments to HKAS 1 “Presentation of Items of Other Comprehensive Income”

The amendments to HKAS 1 “Presentation of Items of Other Comprehensive Income” introduce new terminology for the statement of comprehensive income and income statement. Upon application of the amendments to HKAS 1, the Group’s “statement of comprehensive income” is renamed as a “statement of profit or loss and other comprehensive income”. In addition, the amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Other than the above mentioned changes in accounting policies, presentation and disclosures, the application of the new and revised HKFRSs in current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2013

3. REVENUE AND SEGMENT INFORMATION

Continuing operations

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

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

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 2013

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Continuing operations *(Continued)*

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

Continuing operations

Consultancy services – Provision of corporate management consultancy services (such as business development related to business acquisition and investment opportunities studies, system development related to internal control and computer system development and human resource services) mainly in the People's Republic of China

Trading of goods – Sales of construction materials and wines

Discontinued operations

Direct drinking water – Lease of direct drinking water purification machines and royalty income for use of the Group's brand name

Purification equipment – Manufacturing and sales of air purification and water purification equipments

Environmental engineering – Construction and installation of air purification and sewage treatment system

Mining – Exploration of gold and copper

Information of discontinued operations were disclosed in note 6.

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

For the six months ended 30 September 2013

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

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

Six months ended 30 September 2013

	Consultancy services HK\$'000	Trading of goods HK\$'000	Elimination HK\$'000	Total HK\$'000
REVENUE				
External sales	2,399	-	-	2,399
Consultancy service provided to head office	641	-	(641)	-
Turnover	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 2013***3. REVENUE AND SEGMENT INFORMATION** *(Continued)**Six months ended 30 September 2012*

	Consultancy services HK\$'000	Trading of goods HK\$'000	Elimination HK\$'000	Total HK\$'000
REVENUE				
External sales	2,314	8,130	–	10,444
Consultancy services provided to head office	1,533	–	(1,533)	–
Turnover	3,847	8,130	(1,533)	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)

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

For the six months ended 30 September 2013

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2013

4. OTHER INCOME, GAINS AND LOSSES

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

5. INCOME TAX EXPENSE

	Six months ended 30 September	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
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%.

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 2013

6. DISCONTINUED OPERATIONS

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2013

6. DISCONTINUED OPERATIONS (Continued)

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2013

7. LOSS FOR THE PERIOD

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

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

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

8. DIVIDENDS

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2013

9. (LOSS) EARNINGS PER SHARE

From continuing and discontinued operations

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

	Six months ended 30 September	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Profit and loss		
(Loss) profit for the period attributable to owners of the Company for the purpose of (loss) earnings per share	(23,858)	226,750

	Six months ended 30 September	
	2013	2012
Number of shares		
Weighted average number of shares for the purposes of basic and diluted (loss) earnings 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 or earnings per share includes the non-voting convertible preference shares as they rank equally among themselves and pari passu with all other ordinary shares of the Company in issue with respect of the right to any dividends or distribution declared.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2013

9. (LOSS) EARNINGS PER SHARE (Continued)

From continuing operations

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2013

9. (LOSS) EARNINGS PER SHARE (Continued)

From discontinued operations

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

10. 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 2013 (audited)	2,173
Additions	278
Depreciation	(397)
Exchange adjustments	(117)
Carrying amounts as at 30 September 2013 (unaudited)	1,937

11. GOODWILL

	HK\$'000
CARRYING AMOUNT	
As at 1 April 2013 (audited) and 30 September 2013 (unaudited)	462

Goodwill amounted to 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.

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

For the six months ended 30 September 2013

12. INTERESTS IN ASSOCIATES

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2013

12. INTERESTS IN ASSOCIATES (Continued)

As at 30 September 2013, 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 2013 %	31 March 2013 %		
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	Mining, processing and sales of gold, copper and silver	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 2013

13. TRADE AND OTHER RECEIVABLES

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

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

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

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 2013

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

During the six months ended 30 September 2013, 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 2013.

15. TRADE AND OTHER PAYABLES

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2013

16. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.001 each		
At 1 April 2012, 30 September 2012, 1 April 2013 and 30 September 2013	498,000,000,000	498,000
Non-voting convertible preference shares of HK\$0.001 each		
At 1 April 2012, 30 September 2012, 1 April 2013 and 30 September 2013	2,000,000,000	2,000
Issued and fully paid:		
Ordinary shares of HK\$0.001 each		
At 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
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	19,039,072,320	19,039

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2013

16. SHARE CAPITAL (Continued)

	Number of shares	Amount HK\$'000
<hr/>		
Non-voting convertible preference shares of HK\$0.001 each		
At 1 April 2012	214,637,160	41,170
Conversion of non-voting convertible preference shares into ordinary shares	(36,000,000)	(6,905)
<hr/>		
At 30 September 2012	178,637,160	34,265
<hr/>		
At 1 April 2013	163,124,242	31,289
Conversion of non-voting convertible preference shares into ordinary shares	(163,124,242)	(31,289)
<hr/>		
At 30 September 2013	–	–
<hr/>		

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

For the six months ended 30 September 2013

17. 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	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	<i>(Unaudited)</i>
Short-term benefits	1,876	2,088
Retirement benefits scheme contribution	23	20
	1,899	2,108

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

18. OTHER COMMITMENT

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

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

For the six months ended 30 September 2013

18. OTHER COMMITMENT *(Continued)*

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT EVENT DURING THE CURRENT PERIOD

Very Substantial Acquisition

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

OVERALL RESULTS

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

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

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

REVIEW OF OPERATIONS

Provision of consultancy services

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

Trading of goods and operation of e-commerce platforms

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

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

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

Gold Mine

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

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

Gold Mine *(Continued)*

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

FINANCIAL REVIEW

Finance Position and Liquidity

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

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

Gearing ratio

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

Financial resources

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

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Capital structure

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

Charges on assets

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

Contingent liabilities

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

Foreign exchange exposure

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

EMPLOYMENT AND REMUNERATION POLICY

At 30 September 2013, the Group had approximately 8, 1 and 22 employees in Hong Kong, Republic of Kyrgyz and the PRC respectively. The employees' salaries are reviewed and adjusted annually based on their performance and experience. The Group's employee benefits include performance bonus, medical scheme, mandatory provident fund for Hong Kong employees, social insurance packages for the PRC employees and education subsidy to encourage continuous professional development of staff. The Group also has a discretionary share option scheme which is designed to award employees for their performance. No share option was granted during the Current Period and there were 66,000,000 share options granted to the directors and employees of the Group as at 30 September 2013.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FUTURE PLAN AND PROSPECTS

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

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

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

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

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

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 2013:

Category of participant	Exercise period	Outstanding at 1 April 2013	Outstanding
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 2013.

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

As at 30 September 2013, 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 (Note 1)	67.69%
	Beneficial owner	9,000,000 (Note 2)	-	0.05%
Lam Man Kit, Dominic	Beneficial owner	9,000,000 (Note 2)	-	0.05%
Luan Li	Beneficial owner	-	6,000,000	0.03%

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 2013, 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 2013 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 2013, 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 2013, 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 2013.

AUDIT COMMITTEE

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

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

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 2013 except for the deviation from the code provision A.2.1.

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

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

Hong Kong, 29 November 2013