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## CHAOYUE GROUP LIMITED

### 超越集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 00147)

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

The board of directors (the “Board” or the “Directors”) of Chaoyue Group Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2014 (the “Current Period”), together with the comparative figures, as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

**Unaudited**  
**Six months ended 30 September**

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

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

Notes:

## 1. BASIS OF PREPARATION

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

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

## 2. PRINCIPAL ACCOUNTING POLICIES

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

### Application of amendments to HKFRSs

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

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

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

## 3. REVENUE AND SEGMENT INFORMATION

### Continuing operations

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

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

The segment information reported externally were consultancy and trading activities rendered by United (Fujian) Corporate Management Limited (“United Fujian”), a subsidiary of the Company, which is consistent with the internal information that are regularly reviewed by the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of performance. This is also the basis of organisation in the Group, whereby the directors have chosen to organise the Group around differences in products and services.

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

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

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

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

*Six months ended 30 September 2014*

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

Six months ended 30 September 2013

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

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

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

#### 4. OTHER INCOME, GAINS AND LOSSES

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

#### 5. INCOME TAX EXPENSE

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

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

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

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

#### 6. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

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

#### 7. DIVIDENDS

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

## 8. LOSS PER SHARE

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

	<b>Six months ended 30 September</b>	
	<b>2014</b>	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
<b>Profit and loss</b>		
Loss for the period attributable to owners of the Company for the purpose of loss per share	<u><u>(30,767)</u></u>	<u><u>(23,858)</u></u>
<b>Number of shares</b>		
Weighted average number of shares for the purposes of basic and diluted loss per share ( <i>note</i> )	<u><u>19,039,072,320</u></u>	<u><u>19,039,072,320</u></u>

*Note:* The weighted average number of shares for the purposes of basic and diluted loss or earnings per share for the period ended 30 September 2013 includes the non-voting convertible preference shares as they rank equally among themselves and pari passu with all other ordinary shares of the Company in issue with respect of the right to any dividends or distribution declared.

## 9. INTERESTS IN ASSOCIATES

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

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

## 10. TRADE AND OTHER RECEIVABLES

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



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

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

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

#### 11. TRADE AND OTHER PAYABLES

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

#### 12. OTHER COMMITMENT

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

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### SIGNIFICANT EVENT DURING THE CURRENT PERIOD

#### Very Substantial Acquisition

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

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

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

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

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

#### OVERALL RESULTS

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

\* The English name is for identification purpose only

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

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

## **REVIEW OF OPERATIONS**

### **Provision of consultancy services**

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

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

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

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

### **Gold Mine**

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

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

## **FINANCIAL REVIEW**

### **Finance position and liquidity**

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

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

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

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

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

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

### **Gearing ratio**

As no outstanding borrowing and loan as at 30 September 2014 and 31 March 2014, the gearing ratio was 0%.

### **Financial resources**

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

### **Capital structure**

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

### **Charges on assets**

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

### **Contingent liabilities**

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

### **Foreign exchange exposure**

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

## **EMPLOYMENT AND REMUNERATION POLICY**

At 30 September 2014, the Group had approximately 8, 1 and 12 employees in Hong Kong, Republic of Kyrgyz and the PRC respectively. The employees' salaries are reviewed and adjusted annually based on their performance and experience. The Group's employee benefits include performance bonus, medical scheme, mandatory provident fund for Hong Kong employees, social insurance packages for the PRC employees and education subsidy to encourage continuous professional development of staff.

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

## **FUTURE PLAN AND PROSPECTS**

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

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

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

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

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

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

## **Model Code for Directors' Dealing in Securities**

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

## **Purchase, Sales or Redemption of the Company's Shares**

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's securities during the six months ended 30 September 2014.

## **Audit Committee**

On 30 September 2014, the Audit Committee of the Company comprised of three Independent Non-executive Directors, namely, Mr Yap Yung (the Chairman), Dr Lam Man Kit, Dominic and Mr. Zhang Guang Sheng. The audit committee has reviewed the unaudited interim financial information for the six months ended 30 September 2014 and discussed with the management the accounting principle and practice adopted by the Group, internal controls and financial reporting matters of the Group.

At the request of the Audit Committee, the auditors of the Company, Deloitte Touche Tohmatsu, had carried out a review of the unaudited interim financial information for the six months ended 30 September 2014 in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. Based on their review, our auditor confirmed that nothing had come to their attention that caused them to believe that the interim financial information was not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

## **Compliance with the Code on Corporate Governance Practices**

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") throughout the six months ended 30 September 2014 except for the deviation from the code provision A.2.1.

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

## **PUBLICATION OF DETAILED INTERIM RESULTS**

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

## **APPRECIATION**

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

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

Hong Kong, 21 November 2014

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