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CHAOYUE GROUP LIMITED

超越集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 147)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2014

The board of directors (the “Board”) of Chaoyue Group Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2014, together with the comparative figures for the corresponding period of 2013, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2014

	NOTES	2014 HK\$'000	2013 HK\$'000
Continuing operations			
Revenue	4	3,007	13,827
Cost of sales and services		(2,017)	(9,609)
Gross profit		990	4,218
Other income, gains and losses	5	500	409
Selling expenses		(125)	(37)
Administrative expenses		(19,091)	(22,164)
Impairment loss on goodwill	10	(462)	–
Share of results of associates	11	(30,313)	(2,567)
Loss before taxation		(48,501)	(20,141)
Income tax	6	–	–
Loss for the year from continuing operations	8	(48,501)	(20,141)
Discontinued operations			
Profit for the year from discontinued operations	7	–	253,611
(Loss) profit for the year		(48,501)	233,470

	<i>NOTES</i>	2014 HK\$'000	2013 HK\$'000
Other comprehensive (expense) income for the year			
Exchange differences arising on translation			
– from continuing operations		(57)	32
– from discontinued operations		–	1,772
		<u>(57)</u>	<u>1,804</u>
Total comprehensive (expense) income for the year		<u>(48,558)</u>	<u>235,274</u>
 (Loss) profit for the year attributable to owners of the Company			
– from continuing operations		(43,927)	(19,490)
– from discontinued operations		–	237,144
		<u>(43,927)</u>	<u>217,654</u>
(Loss) profit for the year attributable to owners of the Company		<u>(43,927)</u>	<u>217,654</u>
 (Loss) profit for the year attributable to non-controlling interests			
– from continuing operations		(4,574)	(651)
– from discontinued operations		–	16,467
		<u>(4,574)</u>	<u>15,816</u>
(Loss) profit for the year attributable to non-controlling interests		<u>(4,574)</u>	<u>15,816</u>
		<u>(48,501)</u>	<u>233,470</u>
 Total comprehensive (expense) income attributable to:			
Owners of the Company		(44,048)	219,419
Non-controlling interests		(4,510)	15,855
		<u>(48,558)</u>	<u>235,274</u>
 (Loss) earnings per share			
From continuing and discontinued operations	9		
Basic and diluted (HK cents)		<u>(0.23)</u>	<u>1.14</u>
From continuing operations			
Basic and diluted (HK cents)		<u>(0.23)</u>	<u>(0.10)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2014

	<i>NOTES</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		1,720	2,173
Intangible assets		–	–
Goodwill	<i>10</i>	–	462
Interests in associates	<i>11</i>	23,481	54,081
		<u>25,201</u>	<u>56,716</u>
CURRENT ASSETS			
Inventories		766	–
Trade and other receivables	<i>12</i>	5,884	4,405
Financial assets at fair value through profit or loss		–	9,906
Bank balances and cash		204,353	214,642
		<u>211,003</u>	<u>228,953</u>
CURRENT LIABILITIES			
Trade and other payables	<i>13</i>	3,347	4,254
NET CURRENT ASSETS		<u>207,656</u>	<u>224,699</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>232,857</u>	<u>281,415</u>
NET ASSETS		<u>232,857</u>	<u>281,415</u>
CAPITAL AND RESERVES			
Share capital		19,039	18,876
Reserves		207,171	251,382
Equity attributable to owners of the Company		<u>226,210</u>	<u>270,258</u>
Non-controlling interests		6,647	11,157
		<u>232,857</u>	<u>281,415</u>

Notes:

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability under the Bermuda Companies Act and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The immediate and ultimate holding company is Long Grand Limited, a company incorporated in the British Virgin Islands (the “BVI”). The address of the registered office and principal place of business of the Company is disclosed in the Corporate Information section of the Annual Report.

The functional currency of the Company is Renminbi (“RMB”) as the Group’s operation is mainly in the People’s Republic of China (the “PRC”). As the shares of the Company are listed in the Stock Exchange, for the convenience of the financial statements users, the results and financial position of the Group are expressed in Hong Kong dollar (“HKD”), the presentation currency for the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

New and revised HKFRSs applied in the current year

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
Amendments to HKAS 1	Presentation of Item of Other Comprehensive Income
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangement
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except as described below, the application of the new and revised standards in the current year has had no material impact on the financial performance and positions for the current and prior years and/or on the disclosures set out in this announcement.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

4. REVENUE AND SEGMENT INFORMATION

During the year ended 31 March 2013, the Group disposed of the entire equity interests in Park Wealth International Limited and its subsidiaries (“Park Wealth Group”) and 70% equity interests in each of Acme Day Limited and Fastmind Investments Limited and their subsidiaries (“Mining Group”). Therefore, the operations of these two groups were classified as discontinued operations as at the year ended 31 March 2013. Information of discontinued operations is set out in notes 7 and 14.

In addition, the Group acquired 60% equity interests in a subsidiary, United (Fujian) Corporate Management Limited (“United Fujian”), during the year ended 31 March 2013. The principal activity of United Fujian is provision of corporate management consultancy services. Subsequent to acquisition, United Fujian also engaged in trading of goods. The consultancy services and trading activities rendered by United Fujian during the year ended 31 March 2014 and 2013 are classified as continuing operations.

The segment information reported externally are consultancy services and trading activities rendered by United Fujian which is consistent with the internal information that are regularly reviewed by the executive directors of the Company, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and assessment of segment performance.

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

Continued operations carried out by United Fujian

- | | | |
|----------------------|---|--|
| Consultancy services | – | Provision of corporate management consultancy services (such as business development related to business acquisition and investment opportunities studies, system development related to internal control and computer system development and human resource services) mainly in the PRC |
| Trading of goods | – | Sales of construction materials and wines |

Discontinued operations carried out by Park Wealth Group

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

Discontinued operation carried out by Mining Group

- | | | |
|--------|---|--------------------------------|
| Mining | – | Exploration of gold and copper |
|--------|---|--------------------------------|

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segments for the year ended 31 March 2014 and 2013 from continued operations.

For the year ended 31 March 2014

	Consultancy services <i>HK\$'000</i>	Trading of goods <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
REVENUE				
External sales	2,937	70	–	3,007
Inter-segment sales	1,189	–	(1,189)	–
Segment revenue	<u>4,126</u>	<u>70</u>	<u>(1,189)</u>	<u>3,007</u>
Segment loss	<u>(738)</u>	<u>(1,553)</u>	<u>(1,288)</u>	<u>(3,579)</u>
Unallocated income				843
Unallocated corporate expenses				(14,990)
Impairment loss on goodwill				(462)
Share of results of associates				<u>(30,313)</u>
Loss before taxation				<u>(48,501)</u>

For the year ended 31 March 2013

	Consultancy services <i>HK\$'000</i>	Trading of goods <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
REVENUE				
External sales	5,418	8,409	–	13,827
Inter-segment sales	2,150	–	(2,150)	–
Segment revenue	<u>7,568</u>	<u>8,409</u>	<u>(2,150)</u>	<u>13,827</u>
Segment (loss) profit	<u>(1,864)</u>	<u>418</u>	<u>(1,022)</u>	<u>(2,468)</u>
Unallocated income				743
Unallocated corporate expenses				(15,849)
Share of results of associates				<u>(2,567)</u>
Loss before taxation				<u>(20,141)</u>

Note: Inter-segment sales are charged at prevailing market rates.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represent the results from each segment without allocation of central administration costs including directors' emoluments, interest income, share of results of associates, impairment loss on goodwill and income tax. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities relating to continuing operations by operating and reportable segment as at 31 March 2014 and 2013.

All the segments relating to discontinued operations were disposed of during the year ended 31 March 2013. Details of assets and liabilities of the discontinued operations for the year ended 31 March 2013 are set out in note 14.

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
ASSETS		
<i>Segment assets</i>		
Assets relating to continuing operations		
Consultancy services	4,237	4,029
Trading of goods	776	–
	<u>5,013</u>	<u>4,029</u>
Total segment assets		
	<u>5,013</u>	<u>4,029</u>
Unallocated assets		
– Bank balances and cash	204,353	214,642
– Financial assets at FVTPL	–	9,906
– Goodwill	–	462
– Interests in associates	23,481	54,081
– Others	3,357	2,549
	<u>231,191</u>	<u>281,640</u>
Total unallocated assets		
	<u>231,191</u>	<u>281,640</u>
Consolidated total assets		
	<u><u>236,204</u></u>	<u><u>285,669</u></u>
LIABILITIES		
<i>Segment liabilities</i>		
Liabilities relating to continuing operations		
Consultancy services	(1,888)	(2,218)
	<u>(1,888)</u>	<u>(2,218)</u>
Unallocated liabilities		
– Others	(1,459)	(2,036)
	<u>(1,459)</u>	<u>(2,036)</u>
Consolidated total liabilities		
	<u><u>(3,347)</u></u>	<u><u>(4,254)</u></u>

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than bank balances and cash, financial assets at FVTPL, goodwill, interests in associates and other assets not attributable to respective segments; and
- all liabilities are allocated to operating segments other than trade and other payables not attributable to respective segments.

Other segment information

For the year ended 31 March 2014

Amounts included in the measure of segment profit or loss or segment assets from continuing operations:

	Consultancy services HK\$'000	Trading of goods HK\$'000	Total HK\$'000
Additions to property, plant and equipment	277	–	277
Depreciation of property, plant and equipment	768	–	768
	<u> </u>	<u> </u>	<u> </u>

For the year ended 31 March 2013

Amounts included in the measure of segment profit or loss or segment assets from continuing operations:

	Consultancy services HK\$'000	Trading of goods HK\$'000	Total HK\$'000
Additions to property, plant and equipment	2,505	–	2,505
Depreciation of property, plant and equipment	1,240	–	1,240
	<u> </u>	<u> </u>	<u> </u>

Information about geographical areas

The Group's operations are principally located in the PRC (country of domicile). All revenue from continuing operations from external customers were generated from customers in the PRC. All non-current assets used in continuing operations are located in the PRC.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follow:

	2014 HK\$'000	2013 HK\$'000
Customer A (note i)	–	8,157
Customer B (note ii)	587	2,631
Customer C (note ii)	–	1,453
Customer D (note ii)	1,175	–
Customer E (note ii)	1,175	–
	<u> </u>	<u> </u>

Notes i: Revenue from trading of goods

Notes ii: Revenue from consultancy services

Information about products and services

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

	2014 HK\$'000	2013 HK\$'000
Consultancy services	2,937	5,418
Trading of goods	70	8,409
	<u> </u>	<u> </u>
	3,007	13,827
	<u> </u>	<u> </u>

5. OTHER INCOME, GAINS AND LOSSES

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Continuing operations		
Bank interest income	678	743
Investment income – FVTPL	165	–
Net exchange gain (loss)	108	(327)
Others	(451)	(7)
	<u>500</u>	<u>409</u>

6. INCOME TAX

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the income of the Group neither arises in nor is derived from Hong Kong.

The PRC Enterprise Income Tax (“EIT”) is calculated based on the applicable tax rate on assessable profits, if applicable. The applicable EIT rate for the Company’s PRC subsidiary is 25%.

7. DISCONTINUED OPERATIONS

On 5 June 2012, the Group disposed of 70% equity interests in Mining Group at a total consideration of US\$21,000,000. The net proceed received was approximately HK\$161,604,000. The Mining Group carried out all of the Group’s mining operation in the Republic of Kyrgyz, and is treated as a discontinued operation and the comparative figures in the consolidated statement of profit or loss and other comprehensive income are re-presented.

On 27 September 2012, the Group disposed of 100% equity interests in Park Wealth Group at a total consideration of HK\$78,500,000, which carried out all of the Group’s direct drinking water, purification equipment and environmental engineering operations, and are treated as discontinued operations and the comparative figures in the consolidated statement of profit or loss and other comprehensive income are re-presented.

The results of the discontinued operations for the year ended 31 March 2013 were as follows:

	2013 <i>HK\$'000</i>
Loss from operations	(1,530)
Gain on disposal of subsidiaries (<i>note 14</i>)	<u>255,141</u>
Profit for the year	<u>253,611</u>
Profit for the year attributable to:	
Owners of the Company	237,144
Non-controlling interests	<u>16,467</u>
	<u>253,611</u>

The results of the discontinued operations for the year ended 31 March 2013, which was included in the consolidated statement of profit or loss and other comprehensive income, were as below:

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

(Loss) profit for the year ended 31 March 2013 from discontinued operations was arrived at after charging:

	Mining Group <i>HK\$'000</i>	Park Wealth Group <i>HK\$'000</i>	Total <i>HK\$'000</i>
Other staff salaries, wages and allowances	(10,316)	(135)	(10,451)
Other staff retirement benefit scheme contributions	–	(27)	(27)
	<hr/>	<hr/>	<hr/>
Total staff costs	(10,316)	(162)	(10,478)
Auditor's remuneration	(18)	(26)	(44)
Depreciation of property, plant and equipment	–	(959)	(959)
Reversal of bad and doubtful debts, net	–	1,205	1,205
	<hr/>	<hr/>	<hr/>

During the year ended 31 March 2013, 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 in respect of investing activities and financing activities.

8. LOSS FOR THE YEAR

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Directors' emoluments	1,815	1,815
Other staff salaries, wages and allowances	9,354	7,974
Other staff retirement benefit scheme contributions	243	565
	<hr/>	<hr/>
Total staff costs	11,412	10,354
Auditor's remuneration	950	1,160
Depreciation of property, plant and equipment	768	1,240
	<hr/>	<hr/>

9. EARNINGS (LOSS) PER SHARE

From continuing and discontinued operations

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
(Loss) profit for the year attributable to owners of the Company for the purposes of basic and diluted (loss) earnings per share	<u>(43,927)</u>	<u>217,654</u>
Number of shares for the purposes of basic and diluted (loss) earnings per share (<i>note</i>)	<u>19,039,072,320</u>	<u>19,039,072,320</u>

Note: The number of shares for the purposes of basic and diluted (loss) earnings per share includes the 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.

The computation of diluted (loss) earnings per share does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares for both 2014 and 2013.

From continuing operations

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
(Loss) profit for the year attributable to owners of the Company	(43,927)	217,654
Less: profit for the year from discontinued operations	<u>—</u>	<u>(237,144)</u>
Loss for the purposes of basic and diluted (loss) earnings per share from continuing operations	<u>(43,927)</u>	<u>(19,490)</u>

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

From discontinued operations

For the year ended 31 March 2013, basic and diluted earnings per share from discontinued operations is HK1.25 cents per share, based on the profit for the year from discontinued operations attributable to the owner 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) earnings per share.

10. GOODWILL

	<i>HK\$'000</i>
COST	
At 1 April 2012, 31 March 2013 and 31 March 2014	462
IMPAIRMENT LOSS	
At 1 April 2012 and 31 March 2013	–
Provision for the year	462
At 31 March 2014	462
CARRYING AMOUNT	
At 31 March 2014	–
At 31 March 2013	462

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

11. INTERESTS IN ASSOCIATES

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of interest in associates (<i>note 14(b)</i>)	56,648	56,648
Share of post-acquisition loss and other comprehensive income	(33,167)	(2,567)
	23,481	54,081

During the year ended 31 March 2013, the Group disposed of 70% equity interest Mining Group. After the disposal, the Group lost control over the financial and operating policies of the Mining Group and the Mining Group became associates of the Group thereafter. The fair value of the Group's remaining interest in the Mining Group is regarded as its deemed cost which mainly represents the mining license of the associates at the acquisition date. As at 31 March 2014, the Mining Group has completed exploration and evaluation stage and is pending for extraction of ores.

The Mining Group made a loss in current 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 years. Impairment loss of approximately HK\$9,231,000 is recognised and recorded in the statement of profit or loss and other comprehensive income which represented the amount shared by the Group for the year ended 31 March 2014.

The summarised financial information in respect of the Group's associates is set out below:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Total assets	492,730	426,973
Total liabilities	(414,459)	(246,704)
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Total revenue	—	—
Loss for the year	(101,043)	(8,558)
Other comprehensive expense for the year	(955)	—
Total comprehensive expense for the year	(101,998)	(8,558)
Group's share of results of associates	(30,313)	(2,567)
Group's share of other comprehensive expense for the year	(287)	—
Group's share of total comprehensive expense for the year	(30,600)	(2,567)

Reconciliation of the above summarised financial information to the carrying amount of the interests in the associates recognised in the consolidated financial statements:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Net assets of associates	78,271	180,269
Proportion of the Group's ownership interests in associates	30%	30%
Carrying amount of the Group's interests in associates	23,481	54,081

12. TRADE AND OTHER RECEIVABLES

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Trade receivables	2,527	1,857
Prepayments and deposits	2,809	1,818
Other receivables	548	730
	5,884	4,405

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
0-30 days	10	206
31-90 days	–	619
91-180 days	–	1,032
181-365 days	629	–
1-2 years	1,888	–
	<u>2,527</u>	<u>1,857</u>

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

Before accepting any new customer, the Group has assessed the potential customer's credit quality and defined credit rating limits of each customer. Limits attributed to customers are reviewed once a year. In determining the recoverability of a trade receivable, the Group considers changes in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date and no impairment is necessary for those balances which are not past due.

Included in Group's trade receivable balance are debtors with aggregate carrying amount of approximately HK\$2,517,000 (2013: nil) which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
181-365 days	629	–
1-2 years	1,888	–
	<u>2,517</u>	<u>–</u>

Movement in the allowance for doubtful debts

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Balance at beginning of the year	–	68,432
Disposal of subsidiaries	–	(65,060)
Exchange adjustments	–	(2,167)
Impairment losses recognised	–	378
Impairment losses reversed	–	(1,583)
	<u>–</u>	<u>–</u>
Balance at end of the year	<u>–</u>	<u>–</u>

At 31 March 2014 and 2013, no allowance for doubtful debts is included in trade and other receivables.

13. TRADE AND OTHER PAYABLES

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Other payables	160	44
Other tax payables	194	310
Receipt in advance from customers	1,888	2,218
Accruals	1,105	1,682
	<u>3,347</u>	<u>4,254</u>

14. DISPOSAL OF SUBSIDIARIES

(a) Disposal of Park Wealth Group

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

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

	<i>HK\$'000</i>
Consideration satisfied by:	
Cash consideration	78,500
Operating fund paid to Park Wealth Group	<u>(10,000)</u>
	<u>68,500</u>
	<i>HK\$'000</i>
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	11,984
Trade and other receivables	1,931
Bank balances and cash	836
Amounts due to customers for contract work	(900)
Trade and other payables	(45,694)
Tax payable	(997)
Warranty provision	(1,431)
Deferred income	(13,895)
Amount due to a director of a former subsidiary	(22,902)
Borrowings	(16,469)
Customer's deposit	<u>(10,000)</u>
Net liabilities disposed of	<u>(97,537)</u>
Gain on disposal of a subsidiary:	
Cash consideration	78,500
Operating fund paid to Park Wealth Group	(10,000)
Net liabilities disposed of	<u>97,537</u>
Gain on disposal	<u>166,037</u>
Net cash inflow arising on disposal:	
Cash consideration	78,500
Operating fund paid to Park Wealth Group	(10,000)
Bank balances and cash disposed of	<u>(836)</u>
	<u>67,664</u>

(b) Disposal of Mining Group

On 5 June 2012 the Group disposed of its 70% equity interests in the Mining Group to an independent third party for a consideration of US\$21,000,000. The net proceed received was approximately HK\$161,604,000. The Group through a 90% owned subsidiary retained 30% equity interests in the Mining Group after the disposal which is treated as associates of the Group after the disposal.

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

	<i>HK\$'000</i>	
	<i>5/6/2012</i>	<i>31/3/2012</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Consideration satisfied by:		
Cash		161,604
		<u>161,604</u>
Analysis of assets and liabilities as below:		
Intangible assets	122,598	122,598
Prepayments	6,119	6,119
Bank balances and cash	15	84
Trade and other payables	(1,903)	(1,263)
	<u>126,829</u>	<u>127,538</u>
Net assets disposed of		<u>127,538</u>
		<i>HK\$'000</i>
Gain on disposal of subsidiaries:		
Cash consideration (<i>note i</i>)		161,604
Fair value of 30% residual equity interests in Mining Group at 5 June 2013 (<i>note 11</i>) (<i>note ii</i>)		56,648
Net assets disposed of		(126,829)
Disposal-related expenses		(2,319)
		<u>89,104</u>
Gain on disposal		<u>89,104</u>
		<i>HK\$'000</i>
Net cash inflow arising on disposal:		
Cash consideration (<i>note i</i>)		161,604
Bank balances and cash disposed of		(15)
		<u>161,589</u>

Note:

- (i) The sales proceed was released from the escrow account and received by the Group during the year ended 31 March 2013.
- (ii) This 30% equity interests in Mining Group was assessed by the directors of the Company with reference to the valuation at the disposal date performed by BMI Appraisals Limited. The value was determined by BMI Appraisals Limited using a cash flow projection based on financial budgets approved by the management and certain key assumptions including a discount rate of 26.3% and expected market prices of gold and copper in forecast period. In addition, the cash flow projections were prepared based on the assumptions that (a) the operation of Mining Group will be ceased in 2041 and (b) the forecast of mine ores could be extracted.

FINAL DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 March 2014 (2013: Nil).

MANAGEMENTS STATEMENT

OVERALL RESULTS

For the year ended 31 March 2014, the Group recorded a turnover of HK\$3,007,000 (2013: HK\$13,827,000) and a gross profit of HK\$990,000 (2013: HK\$4,218,000). The turnover and gross profit decreased 78% and 77% respectively and the significant drop was mainly due to decrease of revenue generated from the trading of goods segment. The Group shared a loss of HK\$30,313,000 in associated companies for the year ended 31 March 2014 (2013: HK\$2,567,000). A loss for HK\$48,501,000 was resulted for the reporting year whereas a profit of HK\$233,470,000 was recorded in the preceding year. The profit recorded in the preceding year 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 year ended 31 March 2014 was HK0.23 cent (2013: earnings per share of HK1.14 cents). For continuing operations only, there was a loss of HK0.23 cent per share for the year ended 31 March 2014 (2013: HK0.10 cent).

The Board does not recommend the payment of dividend for the reporting year.

REVIEW OF OPERATIONS

Provision of consultancy services

During the reporting year, other than the consultancy services provided to the existing clients, United Fujian 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 Fujian was engaged by another client to conduct a market research and analysis on prepaid travelling card project. United Fujian also conducted an analysis on introducing some famous chain stores in food and beverage industries in Taiwan into the PRC market.

In the year ended 31 March 2014, one of the clients did not renew the consultancy service contract as the project had been advised and followed up by United Fujian was sold by the client with a satisfactory price. At 31 March 2014, United Fujian had a total of three regular clients. Each regular client contributes RMB1 million to RMB2 million consultancy fee annually. Two potential new clients are being followed up and the scope and terms of service is under negotiation.

For the year ended 31 March 2014, the turnover recorded for this segment was HK\$2,937,000 (2013: HK\$5,418,000), and the segment loss was HK\$738,000 (2013: HK\$1,864,000).

Trading of goods and operation of e-commerce platforms

A framework agreement to supply approximately 3500 tonnes of steel for construction projects was signed with a client and about half of the total quantity of steel had been ordered and delivered in 2013. However, the property development project of that client was slow down and no order had been placed by the client in the reporting year. As a result, the turnover in the reporting year decreased significantly.

For the wine e-commerce platform, the website was successfully launched on 15 September 2013. However, the effect of the various austerity measures implemented by the PRC government was unexpectedly serious. In addition, the slowdown of the PRC economic development also affected the sales. Although United Fujian have co-operated with other e-commerce platforms and group-buying websites to promote the publicity of the wines on the internet, the sale was quite disappointing.

During the year ended 31 March 2014, the turnover recorded for this segment was HK\$70,000 (2013: HK\$8,409,000), and the segment loss was HK\$1,553,000 (2013: profit of HK\$418,000).

Gold Mine

Mining plan is being designed and in progress after the approval of the feasibility report. The location of the tailings dam was preliminary selected and studies on its effect on the environment, especially the water resource, have commenced. Mining plants and other infrastructure will be constructed once the design plan has been approved. In order to meet the target to commence mining in late 2016, certain mining machineries were ordered.

Up till now, the electricity supply facilities constructed in the mining site was checked and approved by the relevant department and the next step is to setup telecommunication facilities and equipment in the mining area. During the year, exploration works have been continued to find and locate additional resources.

During the year ended 31 March 2014, the Group shared HK\$30,313,000 of loss in the Gold Mine (2013: HK\$2,567,000). The significant increase in loss shared in the reporting year is mainly due to increase in pre-operating expenses incurred which 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 reporting year and revised ore extraction method.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

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”), which are leading producers of stainless steel and copper products in the PRC that use scrap stainless steel and scrap copper as raw materials (the “Acquisition”). The consideration for the acquisition is HK\$10,000,000,000 and will be satisfied by the Company by the composition of cash, new shares of the Company and convertible bonds.

The Acquisition is subject to, amongst other things, the Company being satisfied with the results of such enquiries, investigations and due diligence reviews of the business, affairs, operations and financial position or projections of the Target Group; and the Company raising funding of not less than HK\$3,000 million. As the conditions precedent could not be fulfilled by the long stop date, 31 March 2014, the Acquisition Agreement lapsed and ceased to be of further effect.

There were no other material acquisitions or disposals of subsidiaries and associated companies during the year ended 31 March 2014.

FINANCIAL REVIEW

Finance position and liquidity

At 31 March 2014, the total assets and liabilities of the Group stood at HK\$236,204,000 (2013: HK\$285,669,000) and HK\$3,347,000 (2013: HK\$4,254,000) respectively.

Non-current assets amounted to HK\$25,201,000 (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. The balance decrease significantly as compared with last year is mainly due to the share of HK\$30,313,000 loss in the associated companies in which HK\$9,231,000 is the impairment loss on the value of the gold mine recognized as a result of the decrease in gold and copper prices and the revised ore extraction method.

Current assets amounted to HK\$211,003,000 (2013: HK\$228,953,000) which comprised mainly deposits, prepayment and other receivables and bank balance and cash.

Current liabilities amounted to HK\$3,347,000 (2013: HK\$4,254,000) which comprised mainly accruals and other payables.

There was no long-term loan and borrowing as at 31 March 2014 and 2013.

The Group recorded net current assets of HK\$207,656,000 as at 31 March 2014 (2013: HK\$224,699,000) and the current ratio was 63.04 (2013: 53.82). The bank balances as at 31 March 2014 was HK\$204,353,000 (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 31 March 2014 and 2013, the gearing ratio was 0%.

Financial resources

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

Capital structure

163,124,242 shares of Ordinary Shares of the Company were issued on 4 July 2013 upon the conversion of the Non-voting Convertible Preference Shares. As at 31 March 2014, the Group had issued 19,039,072,320 shares (2013: 18,875,948,078 shares) of Ordinary Shares and zero shares (2013: 163,124,242 shares) of Non-voting Convertible Preference Shares. The total equity of the Company as at 31 March 2014 was HK\$232,857,000 (2013: HK\$281,415,000) and the decrease was mainly due to the loss recorded in the reporting year.

Charges on assets

As at 31 March 2014 and 2013, the Group had no charge on assets.

Contingent liabilities

As at 31 March 2014 and 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 POLICIES

At 31 March 2014, the Group had approximately 8, 1 and 18 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 year ended 31 March 2014 and there were 66,000,000 share options granted to the directors and employees of the Group as at 31 March 2014.

FUTURE PLAN AND PROSPECTS

The management believes that with the development of the economy in the PRC, the demand for business consultancy services keep rising. However, due to the slowdown of the economic development in the PRC recently and fierce competition in the business consultancy services business, United Fujian faced a challenging year. With a team of outstanding professionals, and with track records of successfully helping its clients to improve their internal system and business strategies and introducing new investors to its clients, United Fujian has built up its reputation in this sector. The Company has confidence that the business consultancy service will have a very good prospect in the coming years.

The wine e-commerce platform launched in September 2013 was a new business activity conducted by United Fujian to broaden the scope of business and increase our income stream. However, the effect of the various austerity measures implemented by the PRC government was unexpectedly serious. In addition, the slowdown of the PRC economic development also affected the sales. Apart from co-operation with other e-commerce platforms, United Fujian had contacted hotels and restaurants to promote its wine in order to increase the sale channels and the product publicity.

Gold price was highly fluctuated in recent years. A provision on the value of our interest in the Gold mine in Republic of Kyrgyz was made in September 2013 as a result of a downward trend in gold price in 2013. The management of the gold mine considered that the fluctuation is normal. They have confidence that the gold price will return to an upward trend when the gold mine commence commercial production and provide the best return to its shareholders.

It is the Company's strategy to review from time to time 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. The management promises that the resources of the Group will be properly managed and utilized so as to maximize the value of the Group and the return for our shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its securities during the year ended 31 March 2014, neither the Company nor any of its subsidiaries has purchased or, sold any of the Company's securities during the year.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established in compliance with Rule 3.21 and 3.22 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Listing Rules. The Audit Committee comprises three independent non-executive Directors, namely Mr. Yap Yung (chairman), Dr. Lam Man Kit, Dominic and Mr. Zhang Guang Sheng.

The Audit Committee has reviewed with directors the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters, including a review of the annual results, related to the preparation of the 2014 annual report.

SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and related notes thereto for the year ended 31 March 2014 as set out in the preliminary announcement have been agreed by the Group's auditor, Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Deloitte Touche Tohmatsu on the preliminary announcement.

CORPORATE GOVERNANCE PRACTICES

The Board believes that good corporate governance can enhance the value of the Company and safeguard the interests of its shareholders and commits to maintain high standards of corporate governance practices. The Board and the management of the Company have been continually reviewing its corporate governance practices with reference to the principles and the code provisions of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") to ensure compliance with the CG Code.

For the year ended 31 March 2014, the Company has complied with the CG Code save as the deviation from code provision A.2.1:

In respect of code provision A.2.1 of the CG Code, Mr. Yuen Leong currently serves the role of chairman of the Board and the chief executive officer of the Company. Since the role of chief executive officer/general manager of the Company's major operating subsidiaries are directly accountable to the Board, the Board believes that the existing arrangement is adequate.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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 during the year.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Company (www.chaoyuehk.com) and the designated issuer website of the Stock Exchange (www.hkexnews.hk). The 2014 annual report of the Company will be dispatched to the shareholders of the Company and available on the above websites 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 past year.

For and on behalf of the Board
Chaoyue Group Limited
Yuen Leong
Executive Director

Hong Kong, 20 June 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 Guang Sheng as independent non-executive Directors.