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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 2015

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 2015 (the “period” or “reporting 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	
		2015	2014
	NOTES	HK\$'000	HK\$'000
Revenue	3	63,033	1,245
Cost of sales and services		(183,501)	(1,242)
		(120,468)	3
Other income, gains and losses	4	8,277	(2,149)
Selling expenses		(4,920)	–
Administrative expenses		(17,004)	(8,439)
Share of results of associates		–	(24,236)
Finance costs		(18,194)	–
Loss before taxation		(152,309)	(34,821)
Income tax credit	5	61,019	–
Loss for the period	6	(91,290)	(34,821)
Other comprehensive income for the period			
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation		(71)	763
Total comprehensive expense for the period		(91,361)	(34,058)

Unaudited
Six months ended 30 September

	2015	2014
<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period attributable to		
Owners of the Company	(68,007)	(30,767)
Non-controlling interests	(23,283)	(4,054)
	<u>(91,290)</u>	<u>(34,821)</u>
Total comprehensive expense attributable to:		
Owners of the Company	(65,314)	(30,007)
Non-controlling interests	(26,047)	(4,051)
	<u>(91,361)</u>	<u>(34,058)</u>
Loss per share	8	
Basic (HK cents)	<u>(0.36)</u>	<u>(0.16)</u>
Diluted (HK cents)	<u>(0.36)</u>	<u>(0.16)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>NOTES</i>	30 September 2015 <i>HK\$'000</i> (unaudited)	31 March 2015 <i>HK\$'000</i> (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		4,367	3,406
Interests in associates		–	–
Long term receivables	9	119,943	–
Finance lease receivables		489	–
Deferred tax assets		63,160	55,573
Land development expenditure	10	289,272	301,500
		477,231	360,479
CURRENT ASSETS			
Properties for sale		2,229,663	2,044,935
Trade and other receivables	11	237,118	319,798
Amount due from an ultimate holding company		44	39
Finance lease receivables		119	–
Tax recoverable		2,697	–
Restricted/pledged bank deposits		332,549	395,479
Bank balances and cash		23,949	196,523
		2,826,139	2,956,774
CURRENT LIABILITIES			
Trade and other payables	12	459,308	718,700
Deposits received for sale of properties		978,246	755,696
Borrowings – due within one year	13	1,360,857	1,562,275
Amount due to non-controlling interests		70,544	73,526
Tax liabilities		22,375	42,395
		2,891,330	3,152,592
NET CURRENT LIABILITIES		(65,191)	(195,818)
TOTAL ASSETS LESS CURRENT LIABILITIES		412,040	164,661
NON CURRENT LIABILITIES			
Deferred tax liabilities		42,323	81,125
Borrowings – due after one year	13	377,542	–
		419,865	81,125
NET (LIABILITIES) ASSETS		(7,825)	83,536
CAPITAL AND RESERVES			
Share capital		19,039	19,039
Reserves		(81,216)	(15,902)
Equity attributable to owners of the Company		(62,177)	3,137
Non-controlling interests		54,352	80,399
TOTAL (DEFICIT) EQUITY		(7,825)	83,536

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 (“HKICPA”) 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.

The Group incurred a loss of HK\$91,290,000 for the six months ended 30 September 2015 and the Group’s current liabilities exceed its current assets by approximately HK\$65,191,000 and its total liabilities exceed its total assets by approximately HK\$7,825,000 as at 30 September 2015. The directors of the Company are negotiating with its lenders for the renewal of bank borrowings of approximately HK\$791,621,000 and HK\$483,498,000, which will be due for repayment in December 2015 and January 2016, respectively and are confident that such borrowings can be renewed for a period of more than one year in view of the Group’s long term relationship with the lenders and the good historical record of timely repayment. The directors of the Company are of the opinion that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future after taking into account the successful renewal of those borrowings upon their expiry and the Group’s internally generated funds. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

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

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 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2015.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group’s net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group’s net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

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 HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statement.

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HFRSs 2011 – 2013 Cycle

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

The segment information reported externally were property development rendered by Liuzhou Zhenghe Huagui Zhiye Group Company Limited (“Liuzhou Zhenghe”) and its subsidiaries, consultancy and trading activities rendered by United (Fujian) Corporate Management Limited (“United Fujian”), subsidiaries 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
Property development	–	Developing and selling of commercial and residential properties, including undertaking of primary land development activities, in the PRC

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 operating 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 2015

	Property development <i>HK\$’000</i>	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	61,291	1,173	569	–	63,033
Inter-segment sales	–	591	–	(591)	–
Segment revenue	<u>61,291</u>	<u>1,764</u>	<u>569</u>	<u>(591)</u>	<u>63,033</u>
Segment loss	<u>(140,709)</u>	<u>985</u>	<u>270</u>	<u>(591)</u>	<u>(140,045)</u>
Unallocated loss					(279)
Unallocated corporate expenses					<u>(11,985)</u>
Loss before taxation					<u><u>(152,309)</u></u>

Other segment information

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

	Property development <i>HK\$’000</i>	Consultancy services <i>HK\$’000</i>	Trading of goods <i>HK\$’000</i>	Elimination <i>HK\$’000</i>	Total <i>HK\$’000</i>
Impairment loss on properties for sale	<u>58,702</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>58,702</u>

Six months ended 30 September 2014

	Consultancy services HK\$'000	Trading of goods HK\$'000	Elimination HK\$'000	Total HK\$'000
REVENUE				
External sales	1,185	60	–	1,245
Inter-segment sales	593	–	(593)	–
Segment revenue	<u>1,778</u>	<u>60</u>	<u>(593)</u>	<u>1,245</u>
Segment loss	<u>(3,347)</u>	<u>(202)</u>	<u>(633)</u>	<u>(4,182)</u>
Unallocated income				599
Unallocated corporate expenses				(7,002)
Share of results of associates				<u>(24,236)</u>
Loss before taxation				<u>(34,821)</u>

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

	30 September 2015 HK\$'000 (unaudited)	31 March 2015 HK\$'000 (audited)
ASSETS		
<i>Segment assets</i>		
Property development	3,123,107	3,111,407
Consultancy services	<u>309</u>	<u>–</u>
Total segment assets	3,123,416	3,111,407
Total unallocated assets	<u>179,954</u>	<u>205,846</u>
Total Group's assets	<u>3,303,370</u>	<u>3,317,253</u>
LIABILITIES		
<i>Segment liabilities</i>		
Property development	(3,298,818)	(3,224,320)
Consultancy services	<u>(609)</u>	<u>(2,221)</u>
Total segment liabilities	(3,299,427)	(3,226,541)
Total unallocated liabilities	<u>(11,768)</u>	<u>(7,176)</u>
Total Group's liabilities	<u>(3,311,195)</u>	<u>(3,233,717)</u>

4. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 September	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Interest income	7,759	427
Gain on disposal of property, plant and equipment	271	–
Financial lease income	36	–
Impairment loss on property, plant and equipment	–	(1,490)
Provision for bad and doubtful debts	–	(1,258)
Others	211	172
	<u>8,277</u>	<u>(2,149)</u>

5. INCOME TAX EXPENSE

	Six months ended 30 September	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Current tax in the People's Republic of China (the "PRC")		
PRC Enterprise Income Tax ("EIT")	1,190	–
PRC Land Appreciation Tax ("LAT")	(15,556)	–
	<u>(14,366)</u>	–
Deferred tax:		
Current period	(46,653)	–
	<u>(61,019)</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.

EIT is calculated based on the applicable tax rate on assessable profits, if applicable. The applicable EIT rate for the Company's PRC subsidiaries is 25% (2014: 25%).

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditure.

9. LONG-TERM RECEIVABLES

Balance as at 30 September 2015 mainly represents the amount due from 福建萬嘉貿易有限公司 (Fujian Wanjia Trading Co., Ltd) (“Fujian Wanjia”)*. During the six months ended 30 September 2015, the Group entered into a factoring agreement with Fujian Wanjia for an amount of RMB120,000,000 (equivalent to approximately HK\$152,323,000). According to the agreement, the Group is entitled to receive the rental income generated from a property owned by Fujian Wanjia that is responsible for collecting the rentals on behalf of the Group. Fujian Wanjia is required to repay the amounts due if the leasee defaults the payment. The amount carries interest at a fixed rate of 13% per annum and will be repaid quarterly over five years. As of the date of this report, rental income is received on time and no default in repayment is noted.

	30 September 2015 HK\$'000 (unaudited)	31 March 2015 HK\$'000 (audited)
Carrying amount of factoring receivables	147,841	–
Less: amounts due within one year shown under current assets (<i>note 11</i>)	<u>(27,898)</u>	–
Amounts shown under non-current assets	<u>119,943</u>	–

10. LAND DEVELOPMENT EXPENDITURE

In 2009, 柳州華桂房地產開發有限公司 (Liuzhou Huagui Property Development Co., Ltd.) (“Liuzhou Huagui”)*, 30% equity holder of Liuzhou Zhenghe, entered into an agreement with Liuzhou Dongcheng Investment & Development Co., Ltd. (“Dongcheng Investment”) relating to the joint development of a primary land development project of Liuzhou Industrial Projects Exhibition Center (the “Project”), and the Project was subsequently transferred from Liuzhou Huagui to Liuzhou Zhenghe in 2010, pursuant to an tripartite agreement signed among Liuzhou Huagui, Dongcheng Investment and Liuzhou Zhenghe.

According to the agreement, Liuzhou Zhenghe is mainly responsible for financing and supervising the development of land under the Project. Under the agreement, upon the successful auction of the parcel of land developed under the Project, Liuzhou Zhenghe is entitled to receive an amount based on its land development costs incurred and a 50% profit sharing after deducting all related taxes, selling expenses and an agreed amount of RMB250,000 per acre of land if selling price from the auction is over RMB250,000 per acre and such auction price can cover all costs incurred. Liuzhou Zhenghe is also required to bear the loss if the proceeds from the public auction cannot fully recover the land development cost already incurred by Liuzhou Zhenghe. Land development expenditure is stated at costs less impairment as the Group expect that it would be successful in securing the parcel of land being developed upon the land being put for auction for sale. It is expected to receive the land development cost already incurred from Dongcheng Investment when the respective parcel of land is put for auction which is expected in the first quarter of 2016.

11. TRADE AND OTHER RECEIVABLES

	30 September 2015 HK\$'000 (unaudited)	31 March 2015 HK\$'000 (audited)
Trade receivables	5,606	559
Other receivables and prepayments		
Other deposits (<i>note a</i>)	24,414	25,724
Prepayments for construction works	120,021	216,316
Other tax prepayment	10,904	9,334
Staff advances	1,007	657
Interest receivable	5,878	10,478
Factoring receivable (<i>note 9</i>)	27,898	–
Other prepayment	2,689	3,865
Amounts due from other third parties (<i>note b</i>)	35,150	49,589
Other receivables	3,551	3,276
	237,118	319,798

Notes:

- (a) As at 30 September 2015, Other deposits include an amount of approximately HK\$23,274,000 (31 March 2015: HK\$24,118,000) guarantee deposits paid to the local government for the Group to construct a hotel in Liuzhou city. The amount will be fully refunded at the commencement of the construction, which is expected to be refunded during the year ending 31 March 2016.
- (b) Amounts represent the balances due from individual third parties which were non-trade related, unsecured and repayable on demand. In addition, included in amounts due from third parties is an amount of approximately HK\$32,797,000 as at 30 September 2015 (31 March 2015: HK\$38,081,000) of which 廣西正桓貿易有限公司 (Guangxi Zhenghuan Trading Company Limited) (“Guangxi Zhenghuan”)*, a wholly owned subsidiary of Liuzhou Zhenghe, borrowed the money from the bank on behalf of 廣西正和實業集團有限公司 (Guangxi Zhenghe Industrial Co., Ltd) (“Guangxi Zhenghe Industrial”)*, which was the holding company of former substantial shareholder of Liuzhou Zhenghe at the time of the borrowing and the borrowing is secured by the assets of Guangxi Zhenghe Industrial. The advance carries interest element which represents the amount charged by the bank on the same borrowing drawn by Guangxi Zhenghuan.

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 2015 HK\$'000 (unaudited)	31 March 2015 HK\$'000 (audited)
0 to 90 days	5,302	–
91 to 180 days	–	559
181 to 360 days	304	–
	5,606	559

Consideration in respect of properties sold are received in accordance with the terms of the related sales and purchase agreements, certain portion on instalment payment are received on or before the date of delivery of the properties to customers and the remaining balance are normally settled within 90 days from date of delivery.

Apart from the trade receivables arising from properties sold, the Group generally allows an average credit period of 30 days to 180 days to its trade customers.

12. TRADE AND OTHER PAYABLES

	30 September 2015 HK\$'000 (unaudited)	31 March 2015 HK\$'000 (audited)
Trade payables	26,436	29,774
Accrued construction cost to contractors (<i>note a</i>)	323,912	90,971
Receipt in advance from customers	609	1,269
Accruals	1,201	2,532
Amount due to staff	–	10,282
Amount due to third parties (<i>note b</i>)	89,905	218,097
Retention payables (<i>note c</i>)	4,424	5,712
Payables for acquisition of subsidiaries (<i>note d</i>)	–	355,420
Other tax payables	3,137	3,155
Other payables	9,684	1,488
	459,308	718,700

Notes:

- (a) Balances represent accrued construction costs payable to contractors as at 30 September 2015 and 31 March 2015.
- (b) Balances represent the amounts due to third parties which were non-trade related, unsecured, interest-free and repayable on demand. As at 30 September 2015, included in amounts due to third parties mainly included aggregate amounts of approximately HK\$66,319,000 (31 March 2015: HK\$209,063,000) represent amounts due to 桂林市房地產華奧開發有限公司, 柳州正晟投資有限公司 and 福州大展實業有限公司, which represent monies advanced by these parties when they were business partners of the then former substantial shareholder of Liuzhou Zhenghe.
- (c) Balances represent the retention money held by the Group according to construction contracts in which such amounts will be released within one year after the completion of the construction work.
- (d) Balance as at 31 March 2015 represents the consideration payable for acquisition of subsidiaries, which was due and paid in April 2015.

The following is an aged analysis of the Group's trade payables presented based on the date of materials received at the end of the reporting period:

	30 September 2015 HK\$'000 (unaudited)	31 March 2015 HK\$'000 (audited)
0 to 90 days	24,652	27,332
91 to 180 days	–	820
181 to 360 days	1,784	1,600
1 to 2 years	–	22
	26,436	29,774

13. BORROWINGS

	30 September 2015 HK\$'000 (unaudited)	31 March 2015 HK\$'000 (audited)
Bank loans	105,955	82,508
Other loans	<u>1,632,444</u>	<u>1,479,767</u>
	<u>1,738,399</u>	<u>1,562,275</u>
Analysis as:		
Secured	1,381,074	1,368,368
Unsecured	<u>357,325</u>	<u>193,907</u>
	<u>1,738,399</u>	<u>1,562,275</u>

As at 30 September 2015, all borrowings were fixed-rate borrowings denominated in RMB.

	30 September 2015 HK\$'000 (unaudited)	31 March 2015 HK\$'000 (audited)
Carrying amount of borrowings repayable:		
Within one year	1,360,857	1,562,275
More than one year	<u>377,542</u>	<u>–</u>
	1,738,399	1,562,275
Less: Amounts due within one year shown under current liabilities	<u>1,360,857</u>	<u>1,562,275</u>
Amount shown under non-current liabilities	<u>377,542</u>	<u>–</u>

The ranges of effective interest rates on the Group's fixed-rate borrowings are as follows:

	30 September 2015	31 March 2015
Effective interest rate	<u>6.00%-12.00%</u>	<u>7.45%-12.00%</u>

As at 30 September 2015, included in the Group's other loans is an aggregate amount of HK\$1,275,119,000 (31 March 2015: HK\$1,368,368,000) representing loans provided by trust companies. The borrowings carry interest at fixed rate ranging from 8.24% to 12.00% (31 March 2015: 8.24% to 12.00%) per annum.

As at 30 September 2015, certain of the Group's trust loans were indirectly secured by the Group's properties for sale and bank deposits pledged to a bank and the bank has in turn issued letter of guarantee to the trust companies as security for the loans granted.

The followings show the carrying amounts of assets pledged to secure the borrowings provided to the Group:

	30 September 2015 HK\$'000 (unaudited)	31 March 2015 HK\$'000 (audited)
Secured by:		
Properties for sale	633,219	580,243
Pledged deposits	328,827	342,727
Land development expenditure	59,676	–
	<u>1,021,722</u>	<u>922,970</u>

In addition to the Group's own assets pledged, as at 30 September 2015, Guangxi Zhenghe Industrial, which is the holding company of former substantial shareholder of Liuzhou Zhenghe and other related parties of former substantial shareholder of Liuzhou Zhenghe had also pledged certain assets to the bank to secure the borrowings to the Group. Such pledged assets will be released upon the repayment of the related borrowings.

14. OTHER COMMITMENTS

	30 September 2015 HK\$'000 (unaudited)	31 March 2015 HK\$'000 (audited)
Construction commitments in respect of properties for sale contracted for but not provided in the condensed consolidated financial statements	<u>685,827</u>	<u>225,044</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Overall results

For the reporting period, the Group recorded a turnover of approximately HK\$63,033,000, representing an increase of 49.63 times against approximately HK\$1,245,000 for the same period in 2014. Such significant increment was mainly due to the sales of properties in 正和城 (“Zhenghe City”*) which are constructed by 柳州正和樺桂置業集團有限公司 (Liuzhou Zhenghe Huagui Real Estate Group Company Limited*) (“Liuzhou Zhenghe”) for the period.

A gross loss amounted to approximately HK\$120,468,000 was recorded for the reporting period whereas a gross profit of approximately HK\$3,000 was recorded for the same period in 2014. The gross loss for the reporting period was mainly attributed to:

1. Impairment loss on properties for sale amounted to approximately HK\$58,702,000 was made as a result of decrease in selling price of the properties of Liuzhou Zhenghe; and
2. Extra costs amounted to approximately HK\$58,018,000 was incurred in the period to construct roads to connect Zone A and Zone B of Zhenghe City in order to enhance the traffic to these zones and the whole Zhenghe City.

A loss of approximately HK\$91,290,000 was recorded for the period, representing an increase of 1.62 times from approximately HK\$34,821,000 for the same period of last year. The basic and diluted loss per share for the reporting period was HK0.36 cent which represented an increase of 1.25 times from HK0.16 cent for the same period in 2014. The increase in loss of the Group in the period was mainly due to the above-mentioned gross loss recorded in Liuzhou Zhenghe.

Review of operations

Liuzhou Zhenghe

Zhenghe City is a mix-used complex project which offers a wide range of properties, including villas, townhouses, commercial buildings, office buildings, hotels and high rise apartments developed by Liuzhou Zhenghe.

Zhenghe City comprises two phases with Phase I providing a stack of residential and commercial properties with gross floor area of approximately 500,000 square meters and a saleable area of approximately 474,570 square meters. Phase II will provide another stack of residential and commercial properties with a total gross floor area of approximately 580,000 square meters and a saleable area of approximately 536,199 square meters. Both Phase I and Phase II have commenced construction and under development. The progress of each phases are shown as follows:

	<u>Property type</u>	<u>Status</u>
Phase I:		
Zone A	Villas and high-rise apartment buildings	Construction work completed and most of the properties were sold.
Zone B	Villas and high-rise apartment buildings	Construction work completed and most of the properties were sold.
Zone C	Residential and commercial complexes and office buildings	Construction in progress. The pre-sale permit for the residential and commercial complexes has been granted and acceptance certificate of completion is expected to be obtained in late 2016.
Phase II:		
Zone D1	Villas	Construction work completed. 20 villas with a total saleable area of 10,081 square meters are held for sale.
Zone D1	High-rise apartment buildings	Construction in progress. The pre-sale permit has been granted and acceptance certificate of completion is expected to be granted in the second half of 2017.
Zone D2	Villas	Construction work completed. 17 villas with a total saleable area of 9,912 square meters are held for sale.
Zone E	Hotel and serviced apartment	Construction in progress.
Zone F	Residential and commercial complexes	Construction in progress. The pre-sale permit is expected to be obtained on the first half of 2016.

At 30 September 2015, a total saleable area of approximately 250,435 square meters and 38,458 square meters in Phase I and Phase II respectively had been sold. During the period, an area of 6,269 square meters was sold and generated a segment turnover of approximately HK\$61,291,000 in the period.

Other operations

- **Provision of consultancy services**
In the reporting period, United Fujian continued to provide consultancy services to her three regular clients and no new client or services contract signed. The turnover for this segment for the period was HK\$1,173,000 (2014: HK\$1,185,000), and the segment profit was HK\$985,000 (2014: segment loss of HK\$3,347,000).
- **Trading of goods and operation of e-commerce platforms**
The turnover of this segment for the period was HK\$569,000 (2014: HK\$60,000) and the segment profit was HK\$270,000 (2014: segment loss of HK\$202,000). The sales in the period was resulted from the sale of wine and the increment was mainly due to big discount offered.
- **Gold Mine**
The preparation works for the mining including the design plan and construction of mining plants and other infrastructure are in progress and waiting for approval from local government.

Material acquisitions and disposals of subsidiaries and associated companies

There was no material acquisitions and disposal of subsidiaries and associated companies during the reporting period.

Financial review

Finance position, liquidity and gearing

At 30 September 2015, the total assets and liabilities of the Group stood at HK\$3,303,370,000 (31 March 2015: HK\$3,317,253,000) and HK\$3,311,195,000 (31 March 2015: HK\$3,233,717,000) respectively. The Group recorded a total deficit amounted to HK\$7,825,000 as at 30 September 2015 (31 March 2015: total equity of HK\$83,536,000). The change from total equity to total deficit is mainly due to the loss incurred in the period.

The Group recorded net current liabilities of HK\$65,191,000 as at 30 September 2015 (31 March 2015: HK\$195,818,000). The net current liabilities was mainly due to bank borrowings of approximately HK\$791,621,000 and HK\$483,498,000 as at 30 September 2015 will be due for repayment in December 2015 and January 2016 respectively. It is expected that the borrowings can be renewed and the repayment period will be extended and the internally generated fund can meet the financial obligation as they fall due for the foreseeable future. The bank balances and cash as at 30 September 2015 was HK\$23,949,000 (31 March 2015: HK\$196,523,000), of which most were denominated in Hong Kong dollars, US dollars and Renminbi.

As at 30 September 2015, the Group had the following borrowings:

- (i) bank loans and other loans amounted to HK\$1,738,399,000 which were denominated in Renminbi with effective interest rates in the ranges of 6.00% to 12.00%; and
- (ii) interest free loan due to third parties and non-controlling interests amounted to HK\$89,905,000 and HK\$70,544,000 respectively;

The gearing ratio, as a ratio of total borrowings to total equity, cannot be calculated as the Group recorded a total deficit of HK\$7,825,000 as at 30 September 2015.

Financial resources

The Group currently finances its operations mainly by internal resources and borrowings. 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

As at 30 September 2015, the total share capital of the Company was HK\$19,039,072 which is divided into 19,039,072,320 shares of Ordinary Shares of the Company.

Charges on assets

Certain of the Group's borrowings were indirectly secured by the Group's properties for sale and bank deposits pledged to a bank and the bank has in return issued letter of guarantee to the trust companies as security for the loans granted. The carrying amounts of assets pledged to secure the borrowings as at 30 September 2015 were analysed below:

	<i>HK\$'000</i>
Properties for sale	633,219
Pledged deposits	328,827
Land development expenditure	59,676
	<hr/>
	1,021,722
	<hr/> <hr/>

Contingent liabilities

The Group had provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchaser to banks, the Group is then entitled to take over the legal title of the related properties. The guarantee period commences from the dates of grant of the relevant mortgage loans and ends after the buyer obtained the individual property ownership certificate. As at 30 September 2015, the guarantee given to banks for the above-mentioned mortgage facilities amounted to HK\$410,111,000 (31 March 2015: HK\$290,175,000).

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.

Future plan and prospects

Although the adjustments on policy to relax the restrictions on home purchase and the mortgage loan in certain cities in 2014 have a positive effect in the overall PRC properties market, our sales in the reporting period remained in a weak momentum. In order to stimulate the sale, discount was offered and as a result, impairment loss on properties for sale was made. However, the management is still optimistic to the future of the PRC property market and expected the property market will gain a recovery momentum gradually with the cut of interest rates by The People's Bank of China and the policy to promote urbanization by the PRC government.

It is the Company's strategy to review from time to time potential business opportunities and investments to enhance shareholders' value. The Group will continue to find 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.

Employment and remuneration policies

At 30 September 2015, the Group had approximately 73 employees in Hong Kong and the PRC. 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.

MODEL CODE FOR DIRECTOR'S 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 2015.

AUDIT COMMITTEE

On 30 September 2015, 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 2015 and discussed with the management the accounting principle and practice adopted by the Group, internal controls and financial reporting matters of the Group.

REVIEW CONCLUSION

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 2015 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.

Below is extracted from the auditor’s review report:

“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.

Emphasis of Matter

Without qualifying our conclusion, we draw your attention to note 1 to the condensed consolidated financial statements which indicates that the Group incurred a loss of HK\$91,290,000 for the six months ended 30 September 2015 and at 30 September 2015, the Group’s current liabilities exceed its current assets by approximately HK\$65,191,000 and its total liabilities exceed its total assets by approximately HK\$7,825,000. These conditions, along with other matters as set forth in note 1 to the condensed consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern.”

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 2015 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 reporting 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 period.

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

Hong Kong, 26 November 2015

* *The English name is for identification purpose only*

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.