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CHAOYUE GROUP LIMITED
超越集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 00147)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2010

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 2010, together with comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2010

	NOTES	2010 HK$'000	2009 HK$'000
Continuing operations			
Revenue	3	**107,700**	16,732
Cost of sales		**(55,996)**	(10,643)
Gross profit		**51,704**	6,089
Other income, gains and losses	4	**14,109**	2,869
Distribution and selling expenses		**(19,942)**	(8,786)
Administrative expenses		**(66,562)**	(38,733)
Finance costs	5	**(3,332)**	(12,738)
Impairment losses on intangible assets		**(45,694)**	–
Changes in fair value of derivative financial instruments	13	**(4,324,025)**	2,566
Changes in fair value of derivative warrant liabilities	13	**(2,727,689)**	–
Loss before taxation		**(7,121,431)**	(48,733)
Income tax credit	6	**13,133**	627
Loss for the year from continuing operations		**(7,108,298)**	(48,106)
Discontinued operation			
Loss for the year from discontinued operation	7	**(87)**	(4,431)
Loss for the year	8	**(7,108,385)**	(52,537)
Other comprehensive income for the year			
Exchange differences on translation		**461**	12
Total comprehensive expense for the year		**(7,107,924)**	(52,525)

	NOTES	2010 HK$'000	2009 HK$'000
Loss for the year attributable to:			
Owners of the Company		**(7,107,864)**	(52,537)
Minority interests		**(521)**	–
		(7,108,385)	(52,537)
Total comprehensive expense attributable to:			
Owners of the Company		**(7,107,450)**	(52,525)
Minority interests		**(474)**	–
		(7,107,924)	(52,525)
Loss per share – Basic and diluted	*9*		
From continuing and discontinued operations		**HK(46.96) cents**	HK(1.56) cents
From continuing operations		**HK(46.96) cents**	HK(1.43) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2010

	NOTES	2010 HK$'000	2009 HK$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**95,491**	115,623
Intangible assets		**173,851**	91,494
Goodwill		**27,085**	27,085
Receivables in respect of sales of direct drinking water purification machines		**27,680**	–
		324,107	234,202
CURRENT ASSETS			
Inventories		**1,948**	5,465
Amounts due from customers for contract work		**11,296**	4,520
Trade and other receivables	*10*	**51,274**	24,649
Bank balances and cash		**83,618**	147,142
		148,136	181,776
CURRENT LIABILITIES			
Amounts due to customers for contract work		**2,249**	7,967
Trade and other payables	*11*	**46,756**	49,101
Amount due to a director of a subsidiary		**23,464**	25,255
Tax payable		**2,769**	2,788
Borrowings	*12*	**9,099**	9,070
Warranty provision		**1,281**	950
Deferred income		**7,238**	28,135
Convertible bonds	*13*	**–**	172,802
Derivative financial instruments	*13*	**–**	19,665
		92,856	315,733
NET CURRENT ASSETS (LIABILITIES)		**55,280**	(133,957)
TOTAL ASSETS LESS CURRENT LIABILITIES		**379,387**	100,245
NON-CURRENT LIABILITIES			
Deferred income		**23,852**	4,904
Deferred taxation		**6,750**	22,873
		30,602	27,777
		348,785	72,468
CAPITAL AND RESERVES			
Share capital		**18,824**	3,370
Reserves		**324,075**	69,098
Equity attributable to owners of the Company		**342,899**	72,468
Minority interests		**5,886**	–
		348,785	72,468

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, and in accordance with accounting policies set out below.

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 and by the Hong Kong Companies Ordinance.

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the accounting periods beginning on or after 1 April 2009

Hong Kong Accounting Standard ("HKAS") 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8 (Amendments)	Operating Segments
Hong Kong (International Financial Reporting Interpretations Committee) ("HK(IFRIC)") - Interpretations – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[3]
HKAS 24 (Revised)	Related Party Disclosures[7]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[5]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[4]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[6]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[4]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[8]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[7]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate
[3] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
[4] Effective for annual periods beginning on or after 1 January 2010
[5] Effective for annual periods beginning on or after 1 February 2010
[6] Effective for annual periods beginning on or after 1 July 2010
[7] Effective for annual periods beginning on or after 1 January 2011
[8] Effective for annual periods beginning on or after 1 January 2013

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

2. PRIOR YEAR ADJUSTMENTS

In February 2009, the Group acquired 100% equity interest in Park Wealth Group from independent third parties which resulted in a goodwill initially recognised in the consolidated financial statements of the Group for the year ended 31 March 2009 of approximately HK$369,535,000. The consideration for this acquisition will be settled by the Company by the allotment and issuance of non-voting convertible preference shares ("Convertible Preference Shares"). The number of Convertible Preference Shares to be issued is subject to the finalisation of the audited profit of Park Wealth Group for the year ended 31 December 2009. In the consolidated financial statements of the Group for the year ended 31 March 2009, the estimated number, and fair value, of Convertible Preference Shares to be issued and the fair value of the assets and liabilities of Park Wealth Group acquired were determined on a provisional basis. As such, the goodwill which arose on acquisition of subsidiaries may be adjusted accordingly as a result of the finalisation of the above.

During the year ended 31 March 2010, the management has completed the accounting for the acquisition of Park Wealth Group and finalised the determination of the cost of the business combination, which is represented by the fair value of the consideration shares (Convertible Preference Shares) issuable. As a result, in the Group revised the fair value of the Convertible Preference Shares from approximately HK$369,535,000 to HK$41,170,000.

The impacts on the consolidated statement of financial position for the year ended 31 March 2009 are as follows:

Consolidated statement of financial position

	As at 31 March 2009 (originally stated)	**Adjustments**	**As at 31 March 2009 (restated)**
	HK$'000	*HK$'000*	*HK$'000*
Goodwill	369,535	(342,450)	27,085
Non-voting convertible preference shares	(383,620)	342,450	(41,170)
	(14,085)	–	(14,085)

3. REVENUE AND SEGMENT INFORMATION

An analysis of the Group's revenue for the year for both continuing and discontinued operations is as follows:

	2010	2009
	HK$'000	*HK$'000*
Sale of goods	**22,521**	45,790
Contract revenue	**17,198**	8,004
Rental income	**44,346**	6,739
Royalty fee income *(Note)*	**23,635**	–
	107,700	60,533
Continuing operations	**107,700**	16,732
Discontinued operation *(note 7)*	**–**	43,801
	107,700	60,533

Note: The Group enters into certain royalty agreements with independent parties ("Agents") whereby the Agents paid the Group a yearly royalty fee plus a variable royalty fee calculated based on the additional direct drinking water machines purchased and operated by the Agents. During the year ended 31 March 2010, the Agents have prepaid the variable royalty fee relating to those additional direct water machines purchased and operated and such prepaid royalty fee is recognised as deferred revenue and amortised according to the relevant service period on a straight line basis. The amount amortised as revenue amounted to HK$143,000 during the year ended 31 March 2010.

In addition, the Group recognised yearly royalty fee amounting to HK$23,492,000 as revenue during the year ended 31 March 2010.

The Group has adopted HKFRS 8 "Operating Segments" ("HKFRS 8") with effect from 1 April 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM") for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14, "Segment Reporting") ("HKAS 14") required an entity to identify two sets of segments (business and geographical) using a risk and return approach. However, segment information reported externally in prior years and to the Group's Chief Executive Officer, being the CODM, for the purposes of resource allocation and assessment of performance was the same and analysed on the basis of the Group's operating divisions. As a result, the application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14, nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss, segment assets and segment liabilities.

The Group's operating segments under HKFRS 8, and their principal activities are as follows:

Continuing operations

Direct drinking water	–	Lease of direct drinking water purification machines and royalty income for use of the Group's brandname
Purification equipment	–	Manufacturing and sales of air purification and water purification equipments
Environmental engineering	–	Construction and installation of air purification and sewage treatment system
Mining	–	Mining for gold and copper

Discontinued operation

Garment	–	The Group was involved in manufacturing and sales of garment business, which was reported as a separate segment under HKAS 14 in previous year. This operation was discontinued with effect from July 2009 (note 7).

Segment revenue and results

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

For the year ended 31 March 2010

	Continuing operations						Discontinued operation	
	Direct drinking water *HK$'000*	**Purification equipment** *HK$'000*	**Environmental engineering** *HK$'000*	**Mining** *HK$'000*	**Elimination** *HK$'000*	**Total** *HK$'000*	**Garment** *HK$'000*	**Consolidated** *HK$'000*
REVENUE								
External sales	**67,981**	**22,521**	**17,198**	**–**	**–**	**107,700**	**–**	**107,700**
Inter-segment sales	**–**	**35,379**	**–**	**–**	**(35,379)**	**–**	**–**	**–**
Total	**67,981**	**57,900**	**17,198**	**–**	**(35,379)**	**107,700**	**–**	**107,700**
RESULT								
Segment result	**(33,250)**	**(1,407)**	**2,165**	**(4,090)**	**553**	**(36,029)**	**(87)**	**(36,116)**
Unallocated income						**698**	**–**	**698**
Unallocated corporate expenses						**(31,054)**	**–**	**(31,054)**
Finance costs						**(3,332)**	**–**	**(3,332)**
Changes in fair value of derivative financial instruments						**(4,324,025)**	**–**	**(4,324,025)**
Changes in fair value of derivative warrant liabilities						**(2,727,689)**	**–**	**(2,727,689)**
Loss before taxation						**(7,121,431)**	**(87)**	**(7,121,518)**

For the year ended 31 March 2009

	Continuing operations						Discontinued operation	
	Direct drinking water *HK$'000*	Purification equipment *HK$'000*	Environmental engineering *HK$'000*	Mining *HK$'000*	Elimination *HK$'000*	Total *HK$'000*	Garment *HK$'000*	Consolidated *HK$'000*
REVENUE								
External sales	6,739	1,989	8,004	–	–	16,732	43,801	60,533
Inter-segment sales	–	21,100	–	–	(21,100)	–	–	–
Total	6,739	23,089	8,004	–	(21,100)	16,732	43,801	60,533
RESULT								
Segment result	(5,243)	(1,026)	1,428	–	(1,919)	(6,760)	(3,122)	(9,882)
Unallocated income						2,561	306	2,867
Unallocated corporate expenses						(34,362)	(1,615)	(35,977)
Finance costs						(12,738)	–	(12,738)
Changes in fair value of derivative financial instruments						2,566	–	2,566
Loss before taxation						(48,733)	(4,431)	(53,164)

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

Segment results represent the results from each segment without allocation of central administration costs and directors' salaries, some items of other income, finance cost, changes in fair value of derivative financial instruments, changes in fair value of derivative warrant liabilities. This is the measure reported to the chief operation decision maker 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 by reportable segment.

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
ASSETS		
Segment assets		
Direct drinking water	**152,874**	224,187
Purification equipment	**56,861**	30,524
Environmental engineering	**25,811**	12,747
Mining	**146,851**	–
Total segment assets	**382,397**	267,458
Unallocated assets		
– Bank balance and cash	**83,618**	147,142
– Others	**6,228**	1,378
Total unallocated assets	**89,846**	148,520
Consolidated total assets	**472,243**	415,978
LIABILITIES		
Segment liabilities		
Direct drinking water	**46,104**	60,105
Purification equipment	**17,868**	11,588
Environmental engineering	**6,903**	17,681
Mining	**2,309**	–
Total segment liabilities	**73,184**	89,374
Unallocated liabilities		
– Amount to a director of a subsidiary	**23,464**	25,255
– Tax payable	**2,769**	2,788
– Borrowings	**9,099**	9,070
– Convertible bonds	**–**	172,802
– Derivative financial instruments	**–**	19,665
– Deferred taxation	**6,750**	22,873
– Others	**8,188**	1,500
Total unallocated liabilities	**50,270**	253,953
Liabilities relating to discontinued operation	**4**	183
Consolidated total liabilities	**123,458**	343,510

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

- all assets are allocated to reportable segments other than bank balances and cash and other assets not attributable to respective segment; and
- all liabilities are allocated to reportable segments other than amount due to a director of a subsidiary, tax payable, borrowings, convertible bonds, derivative financial instruments, derivative warrant liabilities, deferred taxation and other liabilities not attributable to respective segment.

Other segment information

For the year ended 31 March 2010

	Continuing operations				Discontinued operation		
	Direct drinking water *HK$'000*	**Purification equipment** *HK$'000*	**Environmental engineering** *HK$'000*	**Mining** *HK$'000*	**Garment** *HK$'000*	**Unallocated** *HK$'000*	**Total** *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:							
Capital additions *(note)*	**19,154**	**6,421**	**–**	**153,008**	**–**	**9**	**178,592**
Depreciation of property, plant and equipment	**14,006**	**4,970**	**–**	**–**	**–**	**140**	**19,116**
Amortisation of patents	**18,800**	**–**	**–**	**–**	**–**	**–**	**18,800**
Amortisation of mining rights	**–**	**–**	**–**	**4,528**	**–**	**–**	**4,528**
Gain on disposal of property, plant and equipment	**(1,733)**	**–**	**–**	**–**	**–**	**–**	**(1,733)**
Impairment losses on intangible assets	**45,694**	**–**	**–**	**–**	**–**	**–**	**45,694**
Allowance on bad and doubtful debts, net	**506**	**1,660**	**2,064**	**–**	**–**	**–**	**4,230**
Recovery of on trade receivables written off	**(2,059)**	**(2,917)**	**(4,320)**	**–**	**–**	**–**	**(9,296)**

For the year ended 31 March 2009

	Continuing operations				Discontinued operation		
	Direct drinking water *HK$'000*	Purification equipment *HK$'000*	Environmental engineering *HK$'000*	Mining *HK$'000*	Garment *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:							
Capital additions *(note)*	184,730	26,117	–	–	–	26	210,873
Depreciation of property, plant and equipment	962	336	–	–	89	534	1,921
Amortisation of patents	2,506	–	–	–	–	–	2,506
(Gain) loss on disposal of property, plant and equipment	(19)	–	–	–	1,398	62	1,441
Allowance on bad and doubtful debts, net	1,077	265	347	–	–	–	1,689

Note: Capital additions included additions to property, plant and equipment and intangible assets.

Geographical information

The Group's operations are principally located in the PRC (country of domicile) and Kyrgyzstan.

In presenting geographical information, revenue is based on the geographical location of customers. Non-current assets are based on the geographical location of the assets.

For the year ended 31 March 2010

	The PRC	**Kyrgyzstan**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Revenue from continuing operations from external customers	107,700	–	107,700
Non-current assets excluding financial instruments	149,576	146,851	296,427

For the year ended 31 March 2009

Continuing operations

	The PRC	**Kyrgyzstan**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
			(Restated)
Revenue from external customers	16,732	–	16,732
Non-current assets excluding financial instruments	234,202	–	234,202

Discontinued operation

	The PRC	**Kyrgyzstan**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Revenue from external customers	43,801	–	43,801
Non-current assets excluding financial instruments	–	–	–

Information about major customers

During the years ended 31 March 2010 and 2009, there are no individual customers who contributed over 10% of the total sales of the Group.

4. OTHER INCOME, GAINS AND LOSSES

	Continuing operation		Discontinued operation		Total	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Bank interest income	**134**	2,561	**–**	306	**134**	2,867
Imputted interest income on interest-free instalment receivables	**564**	–	**–**	–	**564**	–
Gain on disposal of property, plant and equipment *(Note a)*	**1,733**	–	**–**	–	**1,733**	–
Government grant *(Note b)*	**789**	–	**–**	–	**789**	–
Recovery of trade receivables written off	**9,296**	–	**–**	–	**9,296**	–
Others	**1,593**	308	**98**	253	**1,691**	561
	14,109	2,869	**98**	559	**14,207**	3,428

Notes:

(a) During the year ended 31 March 2010, the Group disposed of certain direct drinking water purification machines, which were leased out under operating leases and classified under property, plant and equipment, with carrying amount of approximately HK$26,874,000 to the Agents at a consideration of approximately HK$26,874,000, payable by interest free installments over a period of five years. The present value of the consideration receivable, net of related tax payable, amounted to approximately HK$20,058,000. Upon the disposal, deferred income amounting to approximately HK$8,549,000 which represents rental received in advance for the drinking water purification machine from the existing lessees has been released to profit and loss and forms part of the gain on disposal of the assets.

(b) The amount represents the grants received from the relevant PRC government to encourage the development of advanced technology enterprises. The subsidies were unconditional and granted on a discretionary basis to the Group during the year.

5. FINANCE COSTS

	2010	2009
	HK$'000	*HK$'000*
Continuing operations		
Interests on convertible bonds	**2,241**	12,593
Interest on borrowings wholly repayable within five years	**1,091**	145
	3,332	12,738

6. INCOME TAX CREDIT

	2010	2009
	HK$'000	*HK$'000*
Continuing operations		
Current tax – PRC EIT	**2,990**	–
Underprovision in prior years – Hong Kong Profits Tax	**–**	19
Deferred taxation	**(16,123)**	(646)
	(13,133)	(627)

During the year ended 31 March 2010, 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. During the year ended 31 March 2009, no Hong Kong Profits Tax is payable since there is no assessable profit.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards except for Shanghai Comfort Environment and Science Company Limited ("Shanghai Comfort"), which is registered in Shanghai Pudong New Area and regarded as advanced technology enterprises by local tax bureau. Shanghai Comfort is entitled to the PRC income tax at concessionary rate of 15% from year 2008 to 2010.

7. DISCONTINUED OPERATION

Due to the continuous adverse operating environment as a result of the economic downturn since the second half of year 2008, the Group had encountered significant difficulties in obtaining orders from customers for its garment business which had ceased to generate meaningful return to the Group. In light of this, the management had resolved to abandon the garment business of the Group and hence had ceased to accept any new garment trading business and have laid off all of the staffs within the garment business in July 2009. As the amount of assets employed in the garment business is not significant, the management does not consider the discontinuation of the garment business would have any material impact on the Group's financial result.

The results of the garment business, which have been included in the consolidated statement of comprehensive income, are as follows:

	2010	2009
	HK$'000	*HK$'000*
Revenue	**–**	43,801
Cost of sales	**–**	(42,872)
Gross profit	**–**	929
Other income	**98**	559
Distribution and selling expenses	**–**	(216)
Administrative and other expenses	**(185)**	(5,703)
Loss for the year	**(87)**	(4,431)

Cash flows from discontinued operation:

	2010	2009
	HK$'000	*HK$'000*
Net cash (outflows) inflows from operating activities	**(7,197)**	22,930
Net cash inflows from investing activities	**–**	356
Net cash outflows from financing activities	**–**	(40,600)
Net cash outflows	**(7,197)**	(17,314)

8. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging (crediting):

	Continuing operation		Discontinued operation		Total	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Directors' emoluments	**2,983**	7,257	**–**	–	**2,983**	7,257
Other staff costs	**20,873**	12,616	**140**	2,174	**21,013**	14,790
Other staff retirement benefit scheme contributions	**1,649**	197	**3**	70	**1,652**	267
Total staff costs	**25,505**	20,070	**143**	2,244	**25,648**	22,314
Auditor's remuneration	**1,650**	950	**–**	–	**1,650**	950
Allowance on bad and doubtful debts, net	**4,230**	1,689	**–**	–	**4,230**	1,689
Cost of inventories recognised as expenses	**52,317**	7,550	**–**	42,872	**52,317**	50,422
Depreciation of property, plant and equipment	**19,116**	1,832	**–**	89	**19,116**	1,921
Amortisation of intangible assets included in administrative expenses	**23,328**	2,506	**–**	–	**23,328**	2,506
(Gain) loss on disposal of property, plant and equipment	**(1,733)**	43	**–**	1,398	**(1,733)**	1,441

9. LOSS PER SHARE

From continuing and discontinued operations

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

	2010	2009
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to owners of the Company for the purpose of loss per share	**(7,107,864)**	(52,537)
Number of shares		
Weighted average number of shares for the purpose of loss per share	**15,135,319,749**	3,370,310,160
		(Note)

Note: The weighted average number of ordinary shares for the purpose of loss per share has been adjusted for the share subdivision made during the year ended 31 March 2010.

From continuing operations

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

	2010	2009
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to owners of the Company	**(7,107,864)**	(52,537)
Less: Loss for the year from discontinued operation	**(87)**	(4,431)
Loss for the purpose of loss per share from continuing operations	**(7,107,777)**	(48,106)

The denominators used are the same as those detailed above for loss per share from continuing and discontinued operations.

From discontinued operation

For the years ended 31 March 2010 and 2009, basic and diluted loss per share from discontinued operation is approximately HK$Nil and HK$0.13 cents per share, respectively, based on the loss for the year from discontinued operation of approximately HK$87,000 and HK$4,431,000, respectively, and the denominators detailed above for loss per share from continuing and discontinued operations.

The computation of diluted loss per share for both years does not take into account the effect of share options granted, the conversion of convertible bonds and convertible preference shares and the warrants issued by the Company as these would result in a decrease in loss per share.

10. TRADE AND OTHER RECEIVABLES

	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**14,312**	16,098
Advances to suppliers	**21,637**	–
Other receivables	**1,180**	875
Receivables in respect of sales of direct drinking water purification machines *(Note)*	**39,761**	–
Prepayments and deposits	**2,064**	7,676
	78,954	24,649

	2010	2009
	HK$'000	*HK$'000*
Analysis of trade and other receivables for reporting purposes as:		
– Non-current asset in respect of sales of direct drinking water purification machines which were classified as property, plant and equipment	**14,168**	–
– Non-current asset in respect of sales of direct drinking water purification machines which were classified as inventories	**13,512**	–
– Current asset	**51,274**	24,649
	78,954	24,649

Note: The receivables from sales of direct drinking water purification machines includes an amount of approximately HK$21,689,000 in relation to the disposal of property, plant and equipment.

The Group also sold additional drinking water purification machines to the Agents, which were classified as inventory, with similar repayment term for disposal of drinking water purification machines which were classified as property, plant and equipment. The amount is payable in interest free instalments over a period of five years. The corresponding receivables as at 31 March 2010 was amounting to approximately HK$18,072,000. The receivables from sales of direct drinking water purification machines not recoverable within one year from the end of the reporting period are classified as non-current and measured at amortised cost using the average effective interest method at the rate of 5.76% per annum.

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:

	2010	2009
	HK$'000	*HK$'000*
0 to 30 days	**11,496**	7,278
31 to 90 days	**1,970**	2,356
91 to 180 days	**6,658**	826
181 to 365 days	**7,415**	5,328
Over 1 year	**285**	310
	27,824	16,098

Other than cash sales, the Group generally allows an average credit period of 30 days to 180 days to 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 any change 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.

At 31 March 2010, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$2,697,000 (2009: HK$6,405,000) which are past due for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and amounts are still considered recoverable based on historical experience. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	2010	2009
	HK$'000	*HK$'000*
31 to 90 days	**–**	692
91 to 180 days	**37**	75
181 to 365 days	**2,375**	5,328
Over 1 year	**285**	310
	2,697	6,405

Movement in the allowance for doubtful debts in respect of trade receivables

	2010	2009
	HK$'000	*HK$'000*
Balance at beginning of the year	**1,689**	–
Impairment losses recognised	**5,309**	1,689
Impairment losses reversed	**(1,079)**	–
Balance at end of the year	**5,919**	1,689

At 31 March 2010, included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately HK$5,919,000 (2009: HK$1,689,000) where the debtors have been in severe financial difficulties.

11. TRADE AND OTHER PAYABLES

	2010	2009
	HK$'000	*HK$'000*
Trade payables	**10,265**	19,594
Bills payable	**154**	1,705
Other payables	**7,348**	7,643
Other tax payables	**17,018**	8,675
Receipt in advance from customers	**8,250**	9,518
Accruals	**3,721**	1,966
	46,756	49,101

Trade payables principally comprise amounts outstanding for purchase of raw materials and ongoing expenses. The average credit period for purchase of raw materials ranged from 30 days to 180 days.

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

	2010	2009
	HK$'000	*HK$'000*
0 – 30 days	**4,858**	14,906
31 – 90 days	**3,154**	4,330
91 – 180 days	**1,405**	1,565
181 – 365 days	**708**	154
Over 1 year	**294**	344
	10,419	21,299

12. BORROWINGS

As at 31 March 2010 and 2009, the amount represents unsecured fixed-rate loans with interest at 12% per annum from an independent third party with maturity period not exceeding one year.

13. CONVERTIBLE BONDS AND DERIVATIVE WARRANT LIABILITIES

During the year, all Convertible Bonds issued by the Company on 24 December 2007 were converted into ordinary shares of the Company.

The movements of the liability component and the embedded derivatives in the Convertible Bonds during the year are set out below:

	Liability	**Embedded derivatives**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2008	160,209	22,231	182,440
Imputed interest charged	12,593	–	12,593
Change in fair value	–	(2,566)	(2,566)
At 31 March 2009 and 1 April 2009	172,802	19,665	192,467
Imputed interest charged	2,241	–	2,241
Change in fair value	–	4,324,025	4,324,025
Conversion of convertible bonds into ordinary shares	(175,043)	(4,343,690)	(4,518,733)
At 31 March 2010	–	–	–

Upon the conversion of the Convertible Bonds, 3,075,000,000 warrants with exercised price of HK$0.015 per share were issued. All warrants issued were exercised during the year and the Company received cash of HK$46,125,000 upon exercise of the warrants.

The movements of derivative warrant liabilities during the year is set out below:

	HK$'000
At 1 April 2008 and 31 March 2009	–
Fair value of warrants granted during the year	867,233
Change in fair value	2,727,689
Share issued upon exercise of warrants	(3,594,922)
At 31 March 2010	–

14. EVENT AFTER THE REPORTING PERIOD

On 16 July 2010, the consideration of the acquisition of the Park Wealth Group and the aggregate fair value of the Convertible Preference Shares was finalised to be HK$41,170,000, which should be satisfied by the issuance of an aggregate of 214,637,160 adjusted Convertible Preference Shares by the Company to the vendors of Park Wealth Group.

MANAGEMENT'S STATEMENT

OVERALL RESULTS

The Group's turnover of HK$107,700,000 (2009: HK$16,732,000) and gross profit of HK$51,704,000 (2009: HK$6,089,000) for the year ended 31 March 2010 (the "Current Year") were generated from the direct sales of drinking water machines, sales and installation of air and water purification equipment and system. The business was acquired in February 2009. The significant increment recorded in the Current Year is mainly due to full year contribution from the business while last year it contributed 1.5 months results only. The garment business was discontinued in August 2009 and did not generate any turnover or gross profit for the Current Year.

The Group recorded a loss of HK$7,108,385,000 in the Current Year (2009: HK$52,537,000). Such loss was mainly due to losses arising from the changes in fair value of convertible bonds and warrants of HK$7,051,714,000 (2009: gain of HK$2,566,000) upon they were exercised during the Current Year and impairment losses on patents for the core technology of direct drinking water purification machine of HK$45,694,000 (2009: Nil). The fair value losses was mainly due to the increase in market price of the Company's shares during the Current Year and such losses was reflected in the financial statements according to the relevant accounting standards.

The captioned fair value changes and impairment losses were non-cash accounting losses and had no impact on the operating cash flows of the Group. The earnings before interest, taxation, depreciation and amortization of the Group, excluding the captioned non-cash items for the Current Year was HK$21,666,000 (2009: loss of HK$38,565,000). The improvement from last year was mainly due to full year contribution from direct sales of drinking water and air, sales and installation of air and water purification equipment and system, partially off-set by loss from discontinued garment business. The fair value losses on convertible bonds and warrants were non-recurring as all outstanding convertible bonds and warrants had been exercised during the Current Year.

Notwithstanding loss of HK$7,108,385,000 recorded in the Current Year, the net asset value of the Group increased from HK$72,468,000 as at 31 March 2009 to HK$342,899,000 as at 31 March 2010. The effect of the fair value losses of convertible bonds and warrants were offset by the share premium arising from issuance of shares upon exercise of convertible bonds and warrants.

FINAL DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 March 2010 (2009: Nil).

REVIEW OF OPERATIONS

Continuing operations

Direct drinking water machines

The direct drinking water machines business has significant contribution to the Group in both the turnover and the operating result in the Current Year. The turnover generated from direct drinking water machines business for the Current Year was HK$67,981,000 (2009: HK$6,739,000) and the segment recorded a loss of HK$33,250,000 (2009: HK$5,243,000). Such loss in Current Year included the amortization and impairment loss on the patents amounted to HK$64,494,000 (2009: HK$2,506,000). Having excluded these two non-cash items, the operating profit of this segment was HK$31,244,000 (2009: operating loss of HK$2,737,000).

During the Current Year, Shanghai Comfort Environment and Science Co., Ltd ("SH Comfort") enhanced its business model by engaging agents in major provinces in China to sell and manage the direct drinking water machines in the brand name of "OZONE COMFORT". SH Comfort now sells the direct drinking water machines to the agents and received royalty fees for each machine sold from the agents. For those direct drinking machines which had been leased to the end users in the previous years, the right of management was leased to the agents to operate on behalf of SH Comfort and those machines will be sold to the agents gradually. Under the new business model, SH Comfort deals with agents instead of end users directly which can save lot of administrative effort. Consequently, SH Comfort can spend more resources to improve the core technology and to develop new models. In Current Year, nine agents were appointed to cover regions in Beijing, Shanghai, Guangzhou, Shenzhen, Wuhan, Chengdu, Shijiazhuang, Xian, Shenyang and Hong Kong.

The number of direct drinking water machine installed during the Current Year was approximately 28,000 units. The business expansion lagged behind original expectation because resources were spent on formulating the new business model and the future strategy. As a result, the fair value of patents in relation to the core technology of direct drinking water purification machine were impaired to HK$27,000,000 as at 31 March 2010.

Air and water purification equipment and system

The products of and technology used by SH Comfort have received wide recognition from organizations such as food processing factories, auto manufacturing plants and hospitals which require high standard of purification in their facilities. The revenue resulted from the sales and installation of the purification equipment and system for the Current Year was HK$39,719,000(2009: HK$9,993,000) and the segment recorded a profit of HK$758,000 (2009: HK$402,000). The profit contribution of this segment for the Current Year was slim as most of the customers of SH Comfort slowed down their development and expansion plan as a result of the uncertainties of the economy.

Mining

The Group has acquired a gold mine at Kyrgyzstan in the Current Year. The estimated mineral resources are approximately 97 tones of gold and approximately 1 million tones of copper. The exploration license and mining license had been issued by the relevant authorities of Kyrgyzstan's Government but mining work had yet to commence and no turnover was recorded. This segment incurred a loss of HK$4,090,000 in the Current Year which mainly represented the amortization of the mining right.

Discontinued operation

Garment business

The Group had encountered challenges in getting orders from customers for its garment business which had ceased to generate meaningful return to the Group as a result of the economic downturn since the second half of year 2008. It was decided to discontinue the garment business in August 2009. There was no turnover or gross profit generated from garment business during the Current Year, and it recorded a loss of HK$87,000 in the Current Year.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Acquisition of a gold mine

On 29 November 2009, the Group entered into an agreement to acquire 90% of the issued share of Eagle Mountain Holdings Limited ("Eagle Mountain"), which is the 100% beneficial owner of a company which hold the mining right of a gold mine in Kyrgyzstan, at a consideration of USD20,000,000 (approximately HK$156,000,000), of which US$12,000,000 (approximately HK$93,600,000) shall be satisfied by allotment and issue of shares of the Company at an issue price of HK$1.28 per share, and of which US$8,000,000 shall be satisfied by the payment of cash. The Group successfully completed the acquisition of the 90% of the issued share capital of Eagle Mountain on 20 November 2009 and 73,125,000 consideration shares of the Company with the nominal value of HK$0.001 each was allotted and issued, and US$8,000,000 cash was paid according to the agreement.

Acquisition of a platinum mine

On 15 September 2009, the Group entered into an agreement to acquire 51% to 60% attributable interest in Blue Ridge Platinum (Proprietary) Limited ("Blue Ridge") who is the sole legal and beneficial owner of a PGE (4E) mine at the Republic of South Africa. Since the condition precedents to complete the acquisition cannot be satisfied, a deed of termination and release was entered with the vendor on 30 April 2010 to terminate the Acquisition agreement and to release each other from their respective rights and obligations under the terms of the deed.

Disposal

There was no material disposal of subsidiaries during the Current Year.

CONSIDERATION TO ACQUIRE PARK WEALTH INTERNATIONAL LIMITED

Pursuant to the sale and purchase agreement dated 11 October 2008 and the supplemental agreement dated 28 November 2008 to acquire Park Wealth International Limited ("Park Wealth"), which is the holding company of SH Comfort, the consideration for the acquisition should be adjusted and fixed in accordance with the formula set out in the Agreement with reference to the audited net profit after tax of the Park Wealth and its subsidiaries for the year ended 31 December 2009 (the "Audited Profit"). Based on the Audited Profit that was announced on 16 July 2010, the consideration of the acquisition and the aggregate face value of the Non-voting Convertible Preference Shares shall be adjusted downward to HK$85,854,864 which was satisfied by the issuance of an aggregate of 214,637,160 shares of Non-voting Convertible Preference Shares by the Company. Consequently, the consideration of acquisition was revised and adjusted retrospectively to the consolidated financial statements of the Group.

FINANCIAL REVIEW

Liquidity

The Group recorded net current asset of HK$55,280,000 as at 31 March 2010 (net current liabilities as at 31 March 2009: HK$133,957,000). The change from net current liabilities to net current assets at 31 March 2010 were mainly due to all outstanding convertible bonds which was recognised as current liabilities in last year, had been converted to ordinary shares during the Current Year. As a result of the conversion, the current ratio of the Group as at 31 March 2010 was improved to 1.60 (2009: 0.58).

Gearing ratio

The total borrowings as at 31 March 2010 amounted to approximately HK$32,563,000, which comprised a 12% per annum interest bearing borrowings of HK$9,099,000 and an interest free amount due to a director of a subsidiary of HK$23,464,000. The gearing ratio of the Group, which was expressed as a percentage of total borrowings to shareholder's funds, as at 31 March 2010 was 9.50%.

Financial resources

The Group finances its operations mainly by internally generated funds, other loans, and funding from conversion of convertible bonds and exercise of warrants. The management believes that the Group will generate sufficient operating cash flow from internal operations.

Capital structure

During the Current Year, all convertible bonds had been converted to ordinary shares and all warrants issued as a result of the conversion of the convertible bonds had been exercised. As at 31 March 2010, the Group recorded a shareholders' equity of HK$342,899,000.

Share subdivision of all issued and unissued shares into 10 subdivided shares was approved by the shareholders on 31 July 2009. After the conversion of convertible bonds into ordinary shares, issue of shares from exercise of share options, conversion of warrant liabilities into ordinary shares and issue of shares for acquisition of a gold mine during the Current Year, the issued shares as at 31 March 2010 increased to 18,824,435,160 shares at HK$0.001 each.

Charges on assets

As at 31 March 2010, the Group had no charge on assets (2009: Nil).

Contingent liabilities

As at 31 March 2010, the Group had no contingent liabilities (2009: Nil).

Foreign exchange exposure

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

EMPLOYMENT AND REMUNERATION POLICY

The Group had approximately 11, 12 and 399 employees in Hong Kong, Kyrgyzstan and the PRC respectively as at 31 March 2010. 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 adopted a discretionary share option scheme which is designed to award employees for their performance. As at 31 March 2010, there were 66,000,000 share options granted to the directors and employees of the Group.

FUTURE PLAN AND PROSPECTS

In the Current Year, the Group focused on development of the direct drinking water machines business by formulating the new business model to appoint agents in different provinces/regions in the PRC. The management considers that the new business model is a more efficient because the Group does not need to manage large number of end users and have a guarantee inflow of royalty income from the agents.

The management also continues our mission to diversify the business scope and expanding the income source of the Group by seeking for new business opportunities in Current Year.

In view of the increase in demand of natural resources and the increase in the prices of precious metals over the past years, the Directors had reviewed various projects related to natural resources in Current Year and has acquired a gold mine with estimated reserve of 97 tones of gold. While there was an outbreak of the political revolution in Kyrgyzstan recently, it does not affect our mining rights. Given the continuous rising trend of gold price, management believes the mine can bring good return to the shareholders in the future.

In the Current Year, all convertible bonds issued by the company had been converted to ordinary shares and all warrants issued as a result of conversion of the convertible bonds had been fully exercised by all warrant holders. This showed that the substantial shareholder and other bondholders have great confidence in the future development of the Company.

The management are dedicated to operate the existing businesses and continue to secure high growth potential projects for the Group. We are committed to utilize the resources to maximize the profitability of the Group and generate satisfactory return to the 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 2010, neither the Company nor any of its subsidiaries has purchased or, sold any of the Company's securities during the Current Year.

AUDIT COMMITTEE

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 2010 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 2010 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 of directors (the "Board") of the Company is committed to promote good corporate governance to safeguard the interests of shareholders. The Company set out its corporate governance practices by reference to the Code Provision on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). The Company has complied with the CG Code throughout the financial year ended 31 March 2010 except for code provision A.2.1, which required that the roles and responsibilities of chairman and chief executive officer should be separated and should not be performed by the same individual. Details for the deviation with explanation are disclosed below.

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 performed by other persons 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, eventually the Board will actively consider the issue of nominating appropriate candidates to take up the title of Chairman and Chief Executive Officer.

Mr. Yuen, who took the chair of most Board meetings, will ensure that all Directors are properly briefed on issues arising at the Board meetings and they receive adequate information and materials in a timely manner.

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, except for our Executive Director, Mr. Yuen Leong, who has declared that he has fully complied with the provisions of the Model Code as set out in Appendix 10 of the Listing Rules apart from Rule A.3 of the Model Code as a result of Long Grand Limited, 30% of which is owned by him, converted HK$60,000,000 convertible bond and took up of the warrants attached to the convertible bond on 14 May 2009, which was falls within the blackout period for the announcement of the annual result for the year ended 31 March 2009. The conversion of convertible bond and taking up of warrants were mandatory as a result of the conversion of other bond holders. A waiver from strict compliance with Rule A.3 of the Model Code was granted by The Stock Exchange of Hong Kong Limited on 13 May 2009.

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 2010 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, 16 July 2010

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.