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 2011

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 2011 (the "Current Year"), together with comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2011

	NOTES	**2011** *HK$'000*	2010 *HK$'000*
Continuing operations			
Revenue	*4*	**24,498**	107,700
Cost of sales		**(45,425)**	(55,996)
Gross (loss) profit		**(20,927)**	51,704
Other income, gains and losses	*5*	**7,678**	14,109
Distribution and selling expenses		**(12,942)**	(19,942)
Administrative and other expenses		**(109,774)**	(66,562)
Finance costs	*6*	**(1,114)**	(3,332)
Changes in fair value of derivative financial instruments		**–**	(4,324,025)
Changes in fair value of derivative warrant liabilities		**–**	(2,727,689)
Impairment loss on property, plant and equipment		**(63,753)**	–
Impairment loss on intangible assets		**(23,516)**	(45,694)
Impairment loss on goodwill		**(27,085)**	–
Loss before taxation		**(251,433)**	(7,121,431)
Income tax credit	*7*	**6,696**	13,133
Loss for the year from continuing operations		**(244,737)**	(7,108,298)
Discontinued operation			
Loss for the year from discontinued operation		**–**	(87)
Loss for the year	*8*	**(244,737)**	(7,108,385)

	NOTES	**2011** *HK$'000*	2010 *HK$'000*
Other comprehensive income for the year			
Exchange differences on translation		**(1,039)**	461
Total comprehensive expense for the year		**(245,776)**	(7,107,924)
Loss for the year attributable to:			
Owners of the Company		**(243,150)**	(7,107,864)
Non-controlling interests		**(1,587)**	(521)
		(244,737)	(7,108,385)
Total comprehensive expense attributable to:			
Owners of the Company		**(244,273)**	(7,107,450)
Non-controlling interests		**(1,503)**	(474)
		(245,776)	(7,107,924)
Loss per share – basic and diluted	*9*		
From continuing and discontinued operations		**HK(1.28) cents**	HK(46.96) cents
From continuing operations		**HK(1.28) cents**	HK(46.96) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At March 31, 2011

	NOTES	**2011** *HK$'000*	2010 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**16,281**	95,491
Intangible assets		**131,770**	173,851
Goodwill		**–**	27,085
Receivables in respect of sales of direct drinking water purification machines	*10*	**–**	27,680
		148,051	324,107
CURRENT ASSETS			
Inventories		**1,147**	1,948
Amounts due from customers for contract work		**1,556**	11,296
Trade and other receivables	*10*	**10,325**	51,274
Bank balances and cash		**81,474**	83,618
		94,502	148,136
CURRENT LIABILITIES			
Amounts due to customers for contract work		**923**	2,249
Trade and other payables	*11*	**77,634**	46,756
Amount due to a director of a subsidiary	*12*	**–**	23,464
Tax payable		**2,508**	2,769
Borrowings	*13*	**–**	9,099
Warranty provision		**1,428**	1,281
Deferred income		**9,304**	7,238
		91,797	92,856
NET CURRENT ASSETS		**2,705**	55,280
TOTAL ASSETS LESS CURRENT LIABILITIES		**150,756**	379,387
NON-CURRENT LIABILITIES			
Amount due to a director of a subsidiary	*12*	**20,061**	–
Borrowings	*13*	**9,498**	–
Deferred income		**17,361**	23,852
Deferred taxation		**–**	6,750
		46,920	30,602
		103,836	348,785
CAPITAL AND RESERVES			
Share capital		**18,824**	18,824
Reserves		**80,629**	324,075
Equity attributable to owners of the Company		**99,453**	342,899
Non-controlling interests		**4,383**	5,886
		103,836	348,785

Notes:

1. GENERAL

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

The functional currency of the Company is Renminbi ("RMB") as the Group's operation is mainly in the People's Republic of China (the "PRC"). The consolidated financial statements are presented in Hong Kong Dollars ("HKD"). The directors consider that HKD is the appropriate presentation currency as the management of the Company controls and monitors the performance and financial position of the Group by using HKD.

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

New and revised Standards and Interpretations applied in the current year

In the current year, the Group has applied the following new and revised Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the accounting periods beginning on or after 1 April 2010.

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 32 (Amendments)	Classification of Rights Issues
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK- Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The adoption of these new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

New and revised Standards and Interpretations issued but not yet effective

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)	Improvements to HKFRSs issued in 2010[1]
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[2]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[3]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (as revised in 2009)	Related Party Disclosures[6]
HK(IFRIC) – INT 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) – INT 19	Extinguishing Financial Liabilities with Equity Instruments[2]

[1] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
[2] Effective for annual periods beginning on or after 1 July 2010
[3] Effective for annual periods beginning on or after 1 July 2011
[4] Effective for annual periods beginning on or after 1 January 2013
[5] Effective for annual periods beginning on or after 1 January 2012
[6] Effective for annual periods beginning on or after 1 January 2011

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Currently, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 31 March 2013 and that the application of the new Standard may have a significant impact on amounts reported in respect of the Groups' financial assets. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value. The consolidated financial statements have been prepared in accordance with HKFRSs issue 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.

4. REVENUE AND SEGMENT INFORMATION

Continuing operations

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

	2011	2010
	HK$'000	*HK$'000*
Sale of goods	**10,162**	22,521
Contract revenue	**11**	17,198
Rental income	**11,928**	44,346
Royalty fee income	**2,397**	23,635
	24,498	107,700

The segment information reported externally was analysed on the basis of their products and services supplied by the Group's operating divisions which is consistent with the internal information that are regularly reviewed by the 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 management has chosen to organise the Group around differences in products and services. The Group's operating segments 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 brand name
Purification equipment	–	Manufacturing and sales of air purification and water purification equipments
Environmental engineering	–	Construction and installation of air purification and sewage treatment system
Mining	–	Exploration of gold and copper

Discontinued operation

Garment	–	The Group was involved in manufacturing and sales of garment business, which was reported as a separate business segment in previous years. This operation was discontinued with effect from July 2009.

Segment revenue and results

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

For the year ended 31 March 2011

	Direct drinking water *HK$'000*	**Purification equipment** *HK$'000*	**Environmental engineering** *HK$'000*	**Mining** *HK$'000*	**Elimination** *HK$'000*	**Total** *HK$'000*
REVENUE						
External sales	**14,325**	**10,162**	**11**	**–**	**–**	**24,498**
Inter-segment sales	**2,198**	**–**	**–**	**–**	**(2,198)**	**–**
Total	**16,523**	**10,162**	**11**	**–**	**(2,198)**	**24,498**
RESULT						
Segment result	**(167,061)**	**(30,613)**	**(22,491)**	**(24,142)**	**636**	**(243,671)**
Unallocated income						**7,355**
Unallocated corporate expenses						**(14,003)**
Finance costs						**(1,114)**
Loss before taxation						**(251,433)**

For the year ended 31 March 2010

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

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 costs, 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.

	2011	2010
	HK$'000	*HK$'000*
ASSETS		
Segment assets		
Direct drinking water	**15,005**	152,874
Purification equipment	**8,853**	56,861
Environmental engineering	**1,719**	25,811
Mining	**131,770**	146,851
Total segment assets	**157,347**	382,397
Unallocated assets		
– Bank balance and cash	**81,474**	83,618
– Others	**3,732**	6,228
Total unallocated assets	**85,206**	89,846
Consolidated total assets	**242,553**	472,243
LIABILITIES		
Segment liabilities		
Direct drinking water	**73,498**	46,104
Purification equipment	**19,190**	17,868
Environmental engineering	**3,369**	6,903
Mining	**2,071**	2,309
Total segment liabilities	**98,128**	73,184
Unallocated liabilities		
– Amount to a director of a subsidiary	**20,061**	23,464
– Tax payable	**2,508**	2,769
– Borrowings	**9,498**	9,099
– Deferred taxation	**–**	6,750
– Others	**8,522**	8,188
Total unallocated liabilities	**40,589**	50,270
Liabilities relating to discontinued operation	**–**	4
Consolidated total liabilities	**138,717**	123,458

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, deferred taxation and other liabilities not attributable to respective segment.

Other segment information

For the year ended 31 March 2011

	Direct drinking water *HK$'000*	**Purification equipment** *HK$'000*	**Environmental engineering** *HK$'000*	**Mining** *HK$'000*	**Unallocated** *HK$'000*	**Total** *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:						
Capital additions *(Note)*	**–**	**925**	**–**	**–**	**3**	**928**
Depreciation of property, plant and equipment	**16,082**	**3,901**	**–**	**–**	**112**	**20,095**
Amortisation of patents	**3,484**	**–**	**–**	**–**	**–**	**3,484**
Amortisation of mining license	**–**	**–**	**–**	**12,636**	**–**	**12,636**
Loss on disposal of property, plant and equipment	**–**	**15**	**–**	**–**	**–**	**15**
Impairment loss on property, plant and equipment	**63,753**	**–**	**–**	**–**	**–**	**63,753**
Impairment loss on intangible assets	**23,516**	**–**	**–**	**–**	**–**	**23,516**
Impairment loss on goodwill	**27,085**	**–**	**–**	**–**	**–**	**27,085**
Foreseeable loss on construction contract	**–**	**–**	**16,865**	**–**	**–**	**16,865**
Allowance for obsolete and slow moving inventories	**–**	**694**	**–**	**–**	**–**	**694**
Allowance on bad and doubtful debts, net	**24,499**	**17,399**	**–**	**–**	**–**	**41,898**
Impairment loss on advances to suppliers	**–**	**6,997**	**3,805**	**–**	**–**	**10,802**

For the year ended 31 March 2010

	Direct drinking water *HK$'000*	Purification equipment *HK$'000*	Environmental engineering *HK$'000*	Mining *HK$'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 license	–	–	–	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)

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 2011

	The PRC *HK$'000*	**Kyrgyzstan** *HK$'000*	**Total** *HK$'000*
Revenue from continuing operations from external customers	**24,498**	**–**	**24,498**
Non-current assets (excluding financial instruments)	**16,281**	**131,770**	**148,051**

For the year ended 31 March 2010

	The PRC *HK$'000*	Kyrgyzstan *HK$'000*	Total *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

Information about major customers

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

	2011 *HK$'000*	2010 *HK$'000*
Customer A *(Note)*	**4,489**	*
Customer B *(Note)*	**3,120**	*
Customer C *(Note)*	**2,485**	*
Customer D *(Note)*	**2,531**	*

Note: Revenue from lease of direct drinking water purification machines and royalty income for use of the Group's brand name.

* The corresponding revenue does not contribute over 10% of the total sales of the Group in the respective year.

5. OTHER INCOME, GAINS AND LOSSES

Continuing operations

	2011	2010
	HK$'000	*HK$'0000*
Bank interest income	**264**	134
Imputed interest income on interest-free instalment receivables	**–**	564
Gain on extension of non-interest bearing payable to a director of a subsidiary	**4,177**	–
Gain on disposal of property, plant and equipment	**–**	1,733
Government grant *(Note)*	**42**	789
Recovery of trade receivables written off	**–**	9,296
Gain on disposal of a subsidiary	**3**	–
Net exchange gain	**2,914**	159
Others	**278**	1,434
	7,678	14,109

Note: 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.

6. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Continuing operations		
Interests on convertible bonds	**–**	2,241
Interest on borrowings wholly repayable within five years	**1,114**	1,091
	1,114	3,332

7. INCOME TAX CREDIT

	2011	2010
	HK$'000	*HK$'000*
Continuing operations		
Current tax – PRC EIT	**54**	2,990
Deferred taxation	**(6,750)**	(16,123)
	(6,696)	(13,133)

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

The Group's PRC EIT is calculated based on the applicable tax rate on assessable profits, if applicable.

The Group's PRC subsidiary, 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. The applicable EIT rate for the Group's other PRC subsidiaries is 25%.

8. LOSS FOR THE YEAR

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

Continuing operations

	2011	2010
	HK$'000	*HK$'0000*
Directors' emoluments	**2,026**	2,983
Other staff costs	**11,738**	20,873
Other staff retirement benefit scheme contributions	**1,177**	1,649
Total staff costs	**14,941**	25,505
Auditor's remuneration	**1,550**	1,650
Depreciation of property, plant and equipment	**20,095**	19,116
Loss (gain) on disposal of property, plant and equipment	**15**	(1,733)
Amortisation of intangible assets included in administrative expenses	**16,120**	23,328
Cost of inventories recognised as expenses	**11,942**	39,651
Allowance for obsolete and slow-moving inventories	**694**	–
Foreseeable loss on construction contract recognised in cost of sales	**16,865**	–
Allowance on bad and doubtful debts, net, recognised in administrative and other expenses	**41,898**	4,230
Impairment loss on advances to suppliers recognised in administrative and other expenses	**10,802**	–

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:

	2011	2010
Loss		
Loss for the year attributable to owners of the Company for the purpose of loss per share	**HK$(243,150,000)**	HK$(7,107,864,000)
Number of shares		
Weighted average number of shares for the purpose of loss per share *(Note)*	**18,976,151,290**	15,135,319,749

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

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:

	2011 *HK$'000*	2010 *HK$'000*
Loss		
Loss for the year attributable to owners of the Company	**(243,150)**	(7,107,864)
Less: Loss for the year from discontinued operation	**–**	(87)
Loss for the purpose of basic and diluted loss per share from continuing operations	**(243,150)**	(7,107,777)

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

From discontinued operation

For the year ended 31 March 2010, basic and diluted loss per share from discontinued operation is approximately HK$ Nil per share, based on the loss for the year from discontinued operation of approximately HK$87,000, and the denominators detailed above for basic and diluted 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 the warrants issued by the Company as these would result in a decrease in loss per share.

10. TRADE AND OTHER RECEIVABLES

	2011 *HK$'000*	2010 *HK$'000*
Trade receivables *(Note a)*	**7,158**	14,312
Advances to suppliers *(Note b)*	**595**	21,637
Other receivables	**685**	1,180
Receivables in respect of sales of direct drinking water purification machines *(Note c)*	**–**	39,761
Prepayments and deposits	**1,887**	2,064
	10,325	78,954

	2011 *HK$'000*	2010 *HK$'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	**10,325**	51,274
	10,325	78,954

Notes:

a. During the years ended 31 March 2011 and 2010, the Group sold purification equipments to certain independent third parties.

   During the year ended 31 March 2011, the purchasers of the purification equipments defaulted in payment with reference to the credit period initially granted. The directors of the Company consider the recoverability of the aforesaid receivables are doubtful and accordingly the Group has made impairment loss amounting to approximately HK$10,690,000 (2010: HK$1,660,000).

b. The Group has paid deposits to certain suppliers for purchasing raw materials based on anticipated need for the purification equipments. During the year ended 31 March 2011, the Group did not receive the raw materials on the agreed schedule from certain suppliers because of decreased need for the manufacturing of purification equipment. The directors of the Company consider the recoverability of the aforesaid advances are doubtful and accordingly the Group has made impairment loss amounting to approximately HK$10,802,000 (2010: Nil).

c. During the year ended 31 March 2010, the Group sold direct drinking water purification machines to certain independent third parties. The consideration was payable in interest free instalments over a period of five years.

   During the year ended 31 March 2011, the purchasers of the direct drinking water purification machines defaulted in payment of the instalments. The directors of the Company consider the recoverability of the aforesaid receivables are doubtful and accordingly the Group has made full impairment loss amounting to approximately HK$31,208,000 (2010: Nil).

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:

	2011	2010
	HK$'000	*HK$'000*
0 to 30 days	**2,636**	11,496
31 to 90 days	**1,098**	1,970
91 to 180 days	**68**	6,658
181 to 365 days	**1,782**	7,415
Over 1 year	**1,574**	285
	7,158	27,824

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 changes in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date and no impairment is necessary for those balances which are not past due.

At 31 March 2011, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$3,424,000 (2010: HK$2,697,000) 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

	2011	2010
	HK$'000	*HK$'000*
91 to 180 days	**68**	37
181 to 365 days	**1,782**	2,375
Over 1 year	**1,574**	285
	3,424	2,697

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

	2011	2010
	HK$'000	*HK$'000*
Balance at beginning of the year	**5,919**	1,689
Impairment losses recognised	**53,565**	5,309
Impairment losses reversed	**(865)**	(1,079)
Balance at end of the year	**58,619**	5,919

At 31 March 2011, included in the allowance for doubtful debts are individually impaired trade and other receivables with an aggregate balance of approximately HK$58,619,000 (2010: HK$5,919,000). The debtors have defaulted in the scheduled payments after the due dates and the Group performed an assessment and concluded the chance of recovering the account receivables is low such that full impairment had been recognised in respect of these account receivables.

11. TRADE AND OTHER PAYABLES

	2011	2010
	HK$'000	*HK$'000*
Trade payables	**11,108**	10,265
Bills payable	**–**	154
Other payables	**18,510**	7,348
Other tax payables	**16,328**	17,018
Receipt in advance from customers	**29,262**	8,250
Accruals	**2,426**	3,721
	77,634	46,756

Trade payables principally comprise amounts outstanding for purchase of raw materials. 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:

	2011	2010
	HK$'000	*HK$'000*
0 – 30 days	**171**	4,858
31 – 90 days	**2,719**	3,154
91 – 180 days	**452**	1,405
181 – 365 days	**4,154**	708
Over 1 year	**3,612**	294
	11,108	10,419

12. AMOUNT DUE TO A DIRECTOR OF A SUBSIDIARY

The amount represents advance from a director and former shareholder of a subsidiary of the Company and is non-trade nature. As at 31 March 2010, the amount was unsecured, interest free and repayable on demand. Pursuant to the agreement entered into in March 2011, the advance will be repaid on 31 March 2014. Accordingly, this amount has been reclassified as non-current liability as at 31 March 2011.

13. BORROWINGS

As at 31 March 2010, the amount represented unsecured fixed-rate loans with interest at 12% per annum from an independent third party ("Independent Third Party") with maturity due date in March 2011.

Pursuant to the supplementary agreement entered into with Independent Third Party in March 2011, the maturity due date is extended to 31 March 2014. Accordingly, this amount has been reclassified as non-current liability as at 31 March 2011.

FINAL DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 March 2011 (2010: Nil).

MANAGEMENT STATEMENT

OVERALL RESULTS

The Group recorded a turnover of HK$24,498,000 (2010: HK$107,700,000) and a gross loss of HK$20,927,000 (2010: gross profit of HK$51,704,000) for the Current Year. The turnover and gross loss were generated from Shanghai Comfort Environment and Science Co., Ltd. and its subsidiaries (the "SH Comfort Group") which engaged in direct drinking water machines, air and water purification equipment and environmental engineering businesses. Mining work is not yet commenced and no turnover and gross profit from the gold mine in Kyrgyzstan recorded in the Current Year.

The loss for the year of the Group reduced significantly from HK$7,108,385,000 in previous year to HK$244,737,000 for the Current Year. The significant loss recorded in previous year was mainly due to losses arising from the changes in fair value of derivative financial instruments and warrant liabilities amounted to HK$7,051,714,000. The loss for the Current Year was mainly resulted from impairment losses on property, plant and equipment, patents and goodwill amounted to HK$114,354,000 and foreseeable loss on construction contract, allowances for obsolete and slow moving inventories, bad and doubtful debts and impairment loss on advances to suppliers amounted to HK$70,259,000.

The loss per share of the Group for the Current Year was HK1.28 cents (2010: HK46.96 cents).

REVIEW OF OPERATIONS

SH Comfort Group

SH Comfort Group engaged in direct drinking water machines business and air and water purification equipment and system businesses under the brand name of "OZONE COMFORT".

Direct drinking water machines

A business model by engaging agents in major provinces in China to operate and manage the direct drinking water machines business on its behalf instead of dealing with the end users in order to save the administrative effort was adopted by SH Comfort Group in late 2009. Nine agents were engaged in 2010 to help to spread the networks and capture the market shares. However, this plan was proved to be too aggressive. The pace of expansion was far behind the targets set to the agents and only 6,680 new direct water drinking machines were installed in the Current Year. Besides, the Group noted that the performance of certain agents in managing the business was well below our expectation and even had financial difficulties to settle the scheduled payment according to the contracts which resulted the Group a provision of allowance on bad and doubtful debts of HK$24,499,000 in the Current Year.

The turnover of this segment for the Current Year dropped significantly from HK$67,981,000 in previous year to HK$14,325,000 as a result of the non-performing agents. Impairment losses amounted to HK$114,354,000 on property, plant and equipment, patents and goodwill were induced by such poor performance. This segment ended up with a loss of HK$167,061,000 (2010: HK$33,250,000) for the Current Year.

The management decided to terminate the relationship with the agents and not to renew the agency agreements for the year 2011 and replaced them by appointing a sole agent. The sole agent was appointed to help to manage the direct drinking water machines already rented to the end-users and granted the rights to use the patent and technology to run the business on behalf of SH Comfort in certain regions with the brand "OZONE COMFORT" by paying an annual sole agent fee. A deposit of one year sole agent fee and one year agent fee had been received in advance with the previous bad experience.

Air and water purification equipment and environmental engineering

The air and water purification equipment and environmental engineering business also suffered a lot in the Current Year deal to the increase of cost of the raw materials which eroded the gross profit. Together with most of the contract works were slowed down or terminated by the clients as a result of the uncertainties of the global economy, the contract works which had been done were not able to confirm and recognise as revenue and the recoverability of certain receivable balances became doubtful. As a result, a gross loss and segment loss in the Current Year were recorded. The turnover recorded in the Current Period was HK$10,173,000 (2010: HK$39,719,000) and the segment loss was HK$53,104,000 (2010: segment profit of HK$758,000).

Gold mine

Exploration works were conducted according to requirement of the licenses and feasibility study report had been submitted to relevant government authorities for approval. Construction of roads, mining plant and supply of electricity will be commenced in near future according to the plan. In the Current Year, no turnover recorded and a segment loss of HK$24,142,000 (2010: HK$4,090,000) was recorded. The loss included mainly amortization of mining license of HK$12,636,000 (2010: HK$4,528,000) and the costs incurred for the exploration works, consultancy and advisory works, staff cost and administrative expenses.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisitions and disposal of subsidiaries and associated companies during the Current Year.

FINANCIAL REVIEW

Liquidity

The Group recorded net current asset of HK$2,705,000 as at 31 March 2011(2010: HK$55,280,000) and the current ratio was 1.03 (2010: 1.60). The drop of the current assets of the Group from HK$148,136,000 as at 31 March 2010 to HK$94,502,000 as at 31 March 2011 was deal to the provision made on the doubtful receivable balance and impairment on the contract works. The drop of current liabilities of the Group from HK$92,856,000 as at 31 March 2010 to HK$91,797,000 as at 31 March 2011 was deal to the combined effect of increase of other payables which represent the sole agent fee deposit and the sole agent fee received in advance and reclassification of an amount due to a director of a subsidiary and borrowings amounted to HK$29,559,000 as non-current liabilities. The bank balance as at 31 March 2011 was HK$81,474,000 (2010: HK$83,618,000), of which most were denominated in Hong Kong dollars, US dollars and Renminbi.

Gearing ratio

The gearing ratio of the Group, which was expressed as a percentage of total borrowings to shareholders' equity, as at 31 March 2011 was 29.72% as compared to 9.50% as at 31 March 2010. The total borrowings as at 31 March 2011 amounted to approximately HK$29,559,000 (2010: HK$32,563,000) represented borrowings of HK$9,498,000 (2010: HK$9,099,000) from an independent third party, which were interest-bearing at 12% per annum, and an amount due to a director of a subsidiary of HK$20,061,000 (2010: HK$23,464,000), which was interest free. These two borrowings were contracted to be repayable at 31 March 2014 without security and reclassified as non-current liabilities in Current Year. The increase in the gearing ratio is mainly due to the decrease in shareholders' equity as a result of the loss incurred for the Current Year.

Financial resources

The Group currently finances its operations mainly by internally generated funds, and other loans. 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

On 16 July 2010, 214,637,160 shares of Non-voting Convertible Preference Shares were issued as the consideration for the acquisition of Park Wealth International Limited, which is the holding company of SH Comfort Group.

As at 31 March 2011, the Group had 18,824,435,160 ordinary shares and 214,637,160 shares of Non-voting Convertible Preference Shares in issued and recorded a shareholders' equity of HK99,453,000.

Charges on assets

As at 31 March 2011, the Group had no charge on assets (2010: Nil).

Contingent liabilities

As at 31 March 2011, the Group had no contingent liabilities (2010: 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

As at 31 March 2011, the Group had approximately 10, 12 and 22 employees in Hong Kong, Kyrgyzstan and the PRC respectively. The employees' salaries are reviewed and adjusted annually based on their performance and experience. The Group's employee benefits include performance bonus, medical scheme, mandatory provident fund for Hong Kong employees, social insurance packages for the PRC employees and education subsidy to encourage continuous professional development of staff. The Group also has a discretionary share option scheme which is designed to award employees for their performance. No share option was granted during the Current Year and there were 66,000,000 share options granted to the directors and employees of the Group as at 31 March 2011.

FUTURE PLAN AND PROSPECTS

Current Year is a hard time for the Group as a result of the aggressive expansion plan adopted by SH Comfort Group together with the increasing raw materials cost. After the painful lesson, the Group decided to slow down its business expansion plan and adopt a conservative approach instead of strike for the market share for the SH Comfort Group and targets to manage the business in a healthy way in terms of result and cash flow in the coming year.

Exploration work will continue to carry out to find and locate additional resources for the gold mine. Construction of the infrastructure around the mine is planned to carry out in near term and the coming years is the investing phase for this project. In view of the continuing high demand of precious metals and the climbing trend of the gold price over the past years, the Directors expect that the gold mine will bring a wealthy return to the Group in the future.

The management will continue to seek potential investment opportunities to diversify the business scope and expanding the income source of the Group to enhance the profitability and maximize the value of the Group in order to reward the shareholders for their long term and strong support.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its securities during the year ended 31 March 2011, neither the Company nor any of its subsidiaries has purchased or, sold any of the Company's securities during the year.

AUDIT COMMITTEE

The Audit Committee 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 2011 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 2011 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 2011 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 during the year.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Company (www.chaoyuehk.com) and the designated issuer website of the Stock Exchange (www.hkexnews.hk). The 2011 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, 30 June 2011

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.