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 2012

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 2012 (the "Current Year"), together with comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2012

	NOTES	**2012** *HK$'000*	2011 *HK$'000* (Restated)
Continuing operations			
Revenue	*4*	**23,101**	24,498
Cost of sales		**(7,486)**	(45,425)
Gross profit (loss)		**15,615**	(20,927)
Other income, gains and losses	*5*	**2,586**	7,678
Distribution and selling expenses		**(3,261)**	(12,942)
Administrative expenses		**(25,182)**	(85,632)
Finance costs	*6*	**(2,541)**	(1,114)
Impairment loss on property, plant and equipment		**–**	(63,753)
Impairment loss on intangible assets		**–**	(23,516)
Impairment loss on goodwill		**–**	(27,085)
Loss before taxation		**(12,783)**	(227,291)
Income tax credit	*7*	**1,570**	6,696
Loss for the year from continuing operations		**(11,213)**	(220,595)
Discontinued operation			
Loss for the year from discontinued operation	*8*	**(32,716)**	(24,142)
Loss for the year	*9*	**(43,929)**	(244,737)

	NOTES	2012 HK$'000	2011 HK$'000 (Restated)
Other comprehensive (expense) income for the year			
Exchange differences arising on translation			
– from continuing operations		**(6,059)**	(1,889)
– from discontinued operation		**49**	850
		(6,010)	(1,039)
Total comprehensive expense for the year		**(49,939)**	(245,776)
Loss for the year attributable to owners of the Company			
– from continuing operations		**(11,213)**	(220,595)
– from discontinued operation		**(31,386)**	(22,555)
Loss for the year attributable to owners of the Company		**(42,599)**	(243,150)
Loss for the year attributable to non-controlling interests			
– from continuing operations		**–**	–
– from discontinued operation		**(1,330)**	(1,587)
Loss for the year attributable to non-controlling interests		**(1,330)**	(1,587)
		(43,929)	(244,737)
Total comprehensive expense attributable to:			
Owners of the Company		**(48,614)**	(244,273)
Non-controlling interests		**(1,325)**	(1,503)
		(49,939)	(245,776)
Loss per share	*10*		
From continuing and discontinued operations			
Basic (HK cents)		**(0.22)**	(1.28)
Diluted (HK cents)		**(0.22)**	(1.28)
From continuing operations			
Basic (HK cents)		**(0.06)**	(1.16)
Diluted (HK cents)		**(0.06)**	(1.16)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2012

	NOTES	**2012** **HK$'000**	2011 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**13,085**	16,281
Intangible assets		**–**	131,770
Goodwill		**–**	–
		13,085	148,051
CURRENT ASSETS			
Inventories		**–**	1,147
Amounts due from customers for contract work		**–**	1,556
Trade and other receivables	*11*	**1,899**	10,325
Bank balances and cash		**37,903**	81,474
		39,802	94,502
Assets classified as held for sale	*8*	**128,801**	–
		168,603	94,502
CURRENT LIABILITIES			
Amounts due to customers for contract work		**910**	923
Trade and other payables	*12*	**55,137**	62,417
Tax payable		**1,008**	2,508
Warranty provision		**1,575**	1,428
Deferred income		**10,326**	9,304
		68,956	76,580
Liabilities associated with assets classified as held for sale	*8*	**1,263**	–
		70,219	76,580
NET CURRENT ASSETS		**98,384**	17,922
TOTAL ASSETS LESS CURRENT LIABILITIES		**111,469**	165,973

	NOTES	2012 HK$'000	2011 HK$'000
NON-CURRENT LIABILITIES			
Amount due to a director of a subsidiary	*13*	**22,232**	20,061
Borrowings	*14*	**16,474**	14,715
Deferred income		**8,866**	17,361
Customer's deposit		**10,000**	10,000
Deferred taxation		**–**	–
		57,572	62,137
		53,897	103,836
CAPITAL AND RESERVES			
Share capital		**18,824**	18,824
Reserves		**30,785**	80,629
Amounts recognised in other comprehensive income and accumulated in equity relating to assets classified as held for sale		**1,230**	–
Equity attributable to owners of the Company		**50,839**	99,453
Non-controlling interests			
Non-controlling interests		**2,921**	4,383
Amounts recognised in other comprehensive income relating to assets classified as held for sale and including in non-controlling interests		**137**	–
		3,058	4,383
		53,897	103,836

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 HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2011
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC)-Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
Amendments to HKFRS 1	Government Loans[2]
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9	Financial Instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets[4]
HKAS 19 (Revised 2011)	Employee Benefits[2]
HKAS 27 (Revised 2011)	Separate Financial Statements[2]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] Effective for annual periods beginning on or after July 1, 2011
[2] Effective for annual periods beginning on or after January 1, 2013
[3] Effective for annual periods beginning on or after January 1, 2015
[4] Effective for annual periods beginning on or after January 1, 2012
[5] Effective for annual periods beginning on or after July 1, 2012
[6] Effective for annual periods beginning on or after January 1, 2014

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

4. REVENUE AND SEGMENT INFORMATION

Continuing operations

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

	2012	2011
	HK$'000	*HK$'000*
Sale of goods	**258**	10,162
Contract revenue	**15**	11
Rental income	**22,417**	11,928
Royalty fee income	**411**	2,397
	23,101	24,498

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 executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of performance. This is also the basis of organisation in the Group, whereby the directors of the Company has chosen to organise the Group around differences in products and services.

Specifically, the Group's reportable and operating segments under HKFRS 8 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

Discontinued operation

Mining – The Group was involved in exploration of gold and copper, which was reported as a separate business segment in previous years. (see note 8 for details of the disposal).

Segment revenue and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable and operating segments.

For the year ended 31 March 2012

	Direct drinking water *HK$'000*	Purification equipment *HK$'000*	Environmental engineering *HK$'000*	Total *HK$'000*
REVENUE				
External sales	**22,828**	**258**	**15**	**23,101**
Inter-segment sales	**–**	**–**	**–**	**–**
Segment revenue	**22,828**	**258**	**15**	**23,101**
Segment profit (loss)	**9,695**	**(7,213)**	**(1,491)**	**991**
Unallocated income				**2,455**
Unallocated corporate expenses				**(13,688)**
Finance costs				**(2,541)**
Loss before taxation				**(12,783)**

For the year ended 31 March 2011

	Direct drinking water *HK$'000*	Purification equipment *HK$'000*	Environmental engineering *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)	–
Segment revenue	16,523	10,162	11	(2,198)	24,498
Segment profit (loss)	(167,061)	(30,613)	(22,491)	636	(219,529)
Unallocated income					7,355
Unallocated corporate expenses					(14,003)
Finance costs					(1,114)
Loss before taxation					(227,291)

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

The accounting policies of the operating segments are the same as the Group's accounting policies in note 3. Segment results represent the results from each segment without allocation of central administration costs and directors' salaries, some items of other income, finance costs. 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.

	2012	2011
	HK$'000	*HK$'000*
ASSETS		
Segment assets		
Assets relating to continuing operations		
Direct drinking water	**13,532**	15,005
Purification equipment	**93**	8,853
Environmental engineering	**35**	1,719
Mining	**–**	131,770
Total segment assets	**13,660**	157,347
Unallocated assets		
– Bank balance and cash	**37,903**	81,474
– Others	**1,324**	3,732
Total unallocated assets	**39,227**	85,206
Assets relating to discontinued operation – Mining	**128,801**	–
Consolidated total assets	**181,688**	242,553
LIABILITIES		
Segment liabilities		
Liabilities relating to continuing operations		
Direct drinking water	**69,378**	73,498
Purification equipment	**9,336**	19,190
Environmental engineering	**4,308**	3,369
Mining	**–**	2,071
Total segment liabilities	**83,022**	98,128
Unallocated liabilities		
– Amount to a director of a subsidiary	**22,232**	20,061
– Tax payable	**1,008**	2,508
– Borrowings	**16,474**	14,715
– Others	**3,792**	3,305
Total unallocated liabilities	**43,506**	40,589
Liabilities relating to discontinued operation – Mining	**1,263**	–
Consolidated total liabilities	**127,791**	138,717

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

- all assets are allocated to operating segments other than bank balances and cash and other assets not attributable to respective segment; and

- all liabilities are allocated to operating 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 2012

	Direct drinking water *HK$'000*	**Purification equipment** *HK$'000*	**Environmental engineering** *HK$'000*	**Unallocated** *HK$'000*	**Total** *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to property, plant and equipment	**–**	**33**	**–**	**–**	**33**
Depreciation of property, plant and equipment	**3,020**	**777**	**–**	**24**	**3,821**
Foreseeable loss on construction contract	**–**	**–**	**1,271**	**–**	**1,271**
Allowance for obsolete and slow moving inventories	**475**	**–**	**–**	**–**	**475**
Allowance on bad and doubtful debts, net	**558**	**2,561**	**183**	**827**	**4,129**
Impairment loss on advances to suppliers	**–**	**2,805**	**174**	**–**	**2,979**

For the year ended 31 March 2011

	Direct drinking water *HK$'000*	Purification equipment *HK$'000*	Environmental engineering *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to property, plant and equipment	–	925	–	3	928
Depreciation of property, plant and equipment	16,082	3,901	–	112	20,095
Amortisation of patents	3,484	–	–	–	3,484
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

Geographical information

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

Information about major customers

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

	2012	2011
	HK$'000	*HK$'000*
Customer A *(Note)*	**12,500**	3,120
Customer B *(Note)*	**3,502**	4,489
Customer C *(Note)*	**2,718**	2,531
Customer D *(Note)*	**2,332**	2,485

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

5. OTHER INCOME, GAINS AND LOSSES

	2012	2011
	HK$'000	*HK$'000*
Continuing operations		
Bank interest income	**324**	264
Gain on extension of non-interest bearing payable to a director of a subsidiary	**–**	4,177
Government grant *(Note)*	**77**	42
Gain on disposal of a subsidiary	**–**	3
Net exchange gain	**2,131**	2,914
Others	**54**	278
	2,586	7,678

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

	2012	2011
	HK$'000	*HK$'000*
Continuing operations		
Interest on borrowings wholly repayable within five years	**2,541**	1,114

7. INCOME TAX CREDIT

	2012 HK$'000	2011 HK$'000
Continuing operations		
PRC EIT		
Current	**6**	54
Over provision in prior year	**(1,576)**	–
	(1,570)	54
Deferred taxation	**–**	(6,750)
	(1,570)	(6,696)

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

The 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 January 2008 to December 2012. The applicable EIT rate for the Group's other PRC subsidiaries is 25%.

8. ASSETS HELD FOR SALE AND DISCONTINUED OPERATION

On 6 January 2012, the Group and China National Gold Group Corporation (the "Buyer") entered into an agreement to dispose 70% interest of each of Acme Day Limited and Fastmind Investments Limited and their subsidiaries at a total consideration of US$21 million, equivalent to approximately HK$163 million, which carries out all of the Group's mining operation in the Kyrgyz Republic, and is treated as a discontinued operation and the comparative figure are re-presented. The disposal has not been completed as at 31 March 2012. The Company's ultimate holding company, Long Grand Limited, has given a written consent to the above disposal in lieu of holding a shareholders meeting as required by Listing Rules. The assets and liabilities attributable to the mining operation, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position (see below). The net proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised.

The results of the mining operations for the year were as follows:

	2012 HK$'000	2011 HK$'000
Administrative expenses and loss for the year	**(32,716)**	(24,142)

During the year ended 31 March 2012, the mining operation contributed approximately HK$515,000 (2011:HK$4,895,000) to the Group's net operating cash outflow.

The major classes of assets and liabilities of the mining operation as at 31 March 2012, which have been presented separately in the consolidated statement of financial position, are as follows:

	2012
	HK$'000
Intangible assets	**122,598**
Prepayments	**6,119**
Bank balance and cash	**84**
Assets classified as held for sale	**128,801**
Other payable and accruals and total liabilities directly associated with assets classified as held for sale	**(1,263)**
Net assets classified as held for sale	**(127,538)**

On 5 June 2012, the disposal of 70% entity interest of each of Acme Day Limited and Fastmind Investments Limited has been completed. The sale proceed monies is kept in escrow account.

Loss for the year from discontinued operation has been arrived at after charging:

	2012	2011
	HK$'000	*HK$'000*
		(Restated)
Other staff salaries and allowances	**15,845**	1,887
Amortisation of intangible assets	**9,478**	12,636

9. LOSS FOR THE YEAR

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

	2012	2011
	HK$'000	*HK$'000*
Directors' emoluments	**1,812**	2,026
Other staff salaries, wages and allowances	**5,670**	8,649
Other staff retirement benefit scheme contributions	**515**	1,177
Share-based payments	**–**	601
Total staff costs	**7,997**	12,453
Auditor's remuneration	**1,667**	1,550
Depreciation of property, plant and equipment	**3,821**	20,095
Loss on disposal of property, plant and equipment	**–**	15
Amortisation of intangible assets included in administrative expenses	**–**	3,484
Cost of inventories recognised as expenses	**4,186**	11,942
Allowance for obsolete and slow-moving inventories	**475**	694
Foreseeable loss on construction contract recognised in cost of sales	**1,271**	16,865
Allowance on bad and doubtful debts, net, recognised in administrative and other expenses *(note 11)*	**4,129**	41,898
Impairment loss on advances to suppliers recognised in administrative and other expenses *(note 11)*	**2,979**	10,802

10. 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:

	2012	2011
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to owners of the Company for the purpose of loss per share	**42,599**	243,150
Number of shares		
Weighted average number of shares for the purpose of loss per share *(Note)*	**19,039,072,320**	18,976,151,290

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:

	2012	2011
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to owners of the Company	**42,599**	243,150
Less: Loss for the year from discontinued operation	**31,386**	22,555
Loss for the purpose of basic and diluted loss per share from continuing operations	**11,213**	220,595

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

From discontinued operation

For the year ended 31 March 2012, basic and diluted loss per share from discontinued operation is approximately HK0.16 cents per share (2011: HK0.12 cents per share), based on the loss for the year from discontinued operation of approximately HK$31,386,000 (2011: HK$22,555,000), and the denominators used are the same as those detailed above for both basic and diluted loss per share.

The computation of diluted loss per share for both years does not take into account the effect of share options granted by the Company as these would result in a decrease in loss per share.

11. TRADE AND OTHER RECEIVABLES

	2012	2011
	HK$'000	*HK$'000*
Trade receivables *(Note a)*	**14**	7,158
Advances to suppliers *(Note b)*	**–**	595
Other receivables	**516**	685
Prepayments and deposits	**1,369**	1,887
	1,899	10,325

Notes:

a. During the years ended 31 March 2012 and 2011, the Group sold purification equipments to certain independent third parties. However, certain customers 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$1,814,000 (2011: HK$10,690,000).

b. The Group has paid deposits to certain suppliers for purchasing raw materials based on the anticipated need for the purification equipment. During the year ended 31 March 2012, 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$2,979,000 (2011: HK$10,802,000).

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:

	2012	2011
	HK$'000	*HK$'000*
0 to 30 days	**14**	2,636
31 to 90 days	**–**	1,098
91 to 180 days	**–**	68
181 to 365 days	**–**	1,782
Over 1 year	**–**	1,574
	14	7,158

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 2012, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$Nil (2011: HK$3,424,000) 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

	2012	2011
	HK$'000	*HK$'000*
91 to 180 days	**–**	68
181 to 365 days	**–**	1,782
Over 1 year	**–**	1,574
	–	3,424

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

	2012	2011
	HK$'000	*HK$'000*
Balance at beginning of the year	**58,619**	5,919
Exchange adjustment	**2,705**	–
Impairment losses recognised	**8,188**	53,565
Impairment losses reversed	**(1,080)**	(865)
Balance at end of the year	**68,432**	58,619

At 31 March 2012, included in the allowance for doubtful debts are individually impaired trade and other receivables with an aggregate balance of approximately HK$68,432,000 (2011: HK$58,619,000). 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.

12. TRADE AND OTHER PAYABLES

	2012	2011
	HK$'000	*HK$'000*
Trade payables	**4,448**	11,108
Other payables	**4,344**	3,293
Other tax payables	**18,365**	16,328
Receipt in advance from customers	**26,189**	29,262
Accruals	**1,791**	2,426
	55,137	62,417

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:

	2012	2011
	HK$'000	*HK$'000*
0 – 30 days	**928**	171
31 – 90 days	**–**	2,719
91 – 180 days	**1,131**	452
181 – 365 days	**263**	4,154
Over 1 year	**2,126**	3,612
	4,448	11,108

13. AMOUNT DUE TO A DIRECTOR OF A SUBSIDIARY

	2012	2011
	HK$'000	*HK$'000*
Xiao Shu (肖述)	**22,232**	20,061

The amount represents advance from Xiao Shu which is non-trade nature. Xiao Shu is a director and former shareholder of a subsidiary of the Company.

Pursuant to the agreement entered into with Xiao Shu in March 2011, the advance from Xiao Shu will be repaid on 31 March 2014.

The amount is recognised at amortised cost with effective interest rate of 6.65% (2011: 6.65%) per annum.

14. BORROWINGS

	2012	2011
	HK$'000	*HK$'000*
Unsecured borrowings	**16,474**	14,715

As at 31 March 2012, the amounts represented unsecured fixed-rate loans of approximately HK$9,869,000 (2011: HK$9,498,000) and accrued interest of approximately HK$6,605,000 (2011: HK$5,217,000) from an independent third party ("Independent Third Party") with original maturity due date in March 2011. Interest is charged at 12% per annum. Pursuant to the supplementary agreement entered into with the Independent Third Party in March 2011, the maturity due date of principal amount together with accrued interest is extended to 31 March 2014. Accordingly, these amounts have been reclassified as non-current liability.

15. OTHER COMMITMENTS

On 13 March 2012, the Group entered into an agreement to invest in 60% equity interest of 聯和（福建）企業管理有限公司 by marking a cash injection of RMB7.5 million, equivalent to approximately HK$9.25 million, to increase registered capital of this company. Subsequent to 31 March 2012, the Group injected HK$9,250,000 into this company, and become shareholder of this company accordingly. The Company is in the process of assessing the financial impact of the acquisition.

16. EVENT AFTER THE REPORT PERIOD

Other than disclosed in note 15, on 5 June 2012, the disposal of 70% equity interest of each of Acme Day Limited and Fastmind Investments Limited has been completed as details in note 8.

FINAL DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 March 2012 (2011: Nil).

MANAGEMENT STATEMENT

OVERALL RESULTS

On 6 January 2012, an agreement was entered into to dispose 70% interest in our gold mine in Kyrgyz Republic, the financial results related to the gold mine was classified and disclosed as discontinued operation. As mining work is not yet commenced, there is no contribution on turnover and gross profit from the gold mine in Kyrgyz Republic for the Current Year. The loss incurred from the discontinued operation for the Current Year was HK$32,716,000 (2011: HK$24,142,000).

The continuing operations in the Group is 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 system businesses. The Group recorded a turnover of HK$23,101,000 (2011: HK$24,498,000) and a change of gross loss of HK$20,927,000 in 2011 to a gross profit of HK$15,615,000 from the SH Comfort Group for the Current Year.

The loss for the Current Year from the continuing operations reduced significantly from HK$220,595,000 in 2011 to HK$11,213,000 for the Current Year. The significant loss recorded in 2011 was mainly due to the non-recurring impairment losses on property, plant and equipment, patents and goodwill amounted to HK$114,354,000 made. The significant improvement on the result for the Current Year, apart from the effect of the aforesaid non-recurring impairment losses, was also due to the change of business model by appointing a sole agent to run the business of SH Comfort Group since early 2011 which provide a steady income stream for the Group. Besides, the adoption of the stringent credit control in accepting new customers and tight cost control measures also help to reduce the bad and doubtful debts and running costs a lot in the Current Year. The distribution and selling expenses for the Current Year was HK$3,261,000 representing a 74.8% drop from HK$12,942,000 in 2011, and the administrative expenses for the Current Year was HK$25,182,000, representing a 70.6% drop from HK$85,632,000 in 2011.

The loss per share of the Group for the Current Year was HK0.22 cent (2011: HK1.28 cents) and the loss per share of the Group from continuing operations only was HK0.06 cent (2011: HK1.16 cents).

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

REVIEW OF CONTINUING 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

The business model by appointing a sole agent to operate and manage the direct drinking water machines already rented to the end-users and to grant with the rights to use the patents and technology to run the business on behalf of SH Comfort in certain regions with the brand "OZONE COMFORT" was proved to be a right strategy. As a deposit approximately equal to one year of sole agent fee had been received and the annual sole agent fee had been received in advance, the chance of default payment by the sole agent is eliminated and a steady income stream was ensured. Besides, the selling and administrative expenses reduced a lot under this arrangement. The turnover of this segment for the Current Year was HK$22,828,000 (2011: HK$14,325,000). The segment result recorded a profit of HK$9,695,000 for the Current Year whereas a segment loss of HK$167,061,000 was recorded in 2011.

Air and water purification equipment and system

The air and water purification equipment and system business continued to shrank as a result of our stringent credit control procedures in client acceptance procedures and the uncertainties of the global economy. The turnover recorded in the Current Year was HK$273,000 (2011: HK$10,173,000) and the segment loss was HK$8,704,000 (2011: HK$53,104,000).

DISPOSAL OF SUBSIDIARIES

On 6 January 2012, the Group and China National Gold Group Corporation ("China Gold Group") entered into a sale agreement to dispose 70% interest in two subsidiaries, Fastmind Investments Limited and Acme Day Limited, which are the beneficiary owners of a company with exploration license and mining license for a gold mine in Kyrgyz Republic at a total consideration of USD21 million (equivalent to approximately HK$163.4 million).

At 31 March 2012, the disposal has not been completed and the carrying amount of the relevant assets and liabilities was classified as Assets classified as held for sale and Liabilities associated with assets classified as held for sale in the balance sheet. On 5 June 2012, the disposal was completed and Fastmind Investments Limited and Acme Day Limited become associated companies of the Group. According to the sale agreement, USD18 million of the consideration will be paid once the stamp duty for the transfer of shares being paid. As at the date of this report, the tax authority is reviewing the documents submitted and assessing the amount of stamp duty should be paid.

In Current Year, the mining work is not commenced but exploration works was conducted continuously to try to locate additional resources for the gold mine. During the Current Year, HK$32,716,000 (2011: HK$24,142,000) administrative expenses was incurred which is mainly represent the amortization of mining license, consultancy, staff allowances and costs for exploration works, consultancy and advisory works,

ACQUISITION OF NEW BUSINESS

On 13 March 2012, the Group entered into an agreement to invest in 60% of the increased registered capital of United (Fujian) Enterprise Management Co., Ltd. ("United") by making a cash injection of RMB7.5 million (equivalent to approximately HK$9.2 million) into United.

United is a wholly foreign-owned enterprise established in the PRC in 2008 and is principally engaged in the provision of corporate management consulting services, provision of international economy, technology and environmental protection related data and consultancy services, system management and maintenance, information technology support and management, human resources services, software development, data processing and process outsourcing. United is also engaged in the wholesale of textile, clothing, daily consumables, cultural and sports products, handicrafts, construction materials, machines and equipments, hardware and electrical appliances and electronic products.

The Group recognises that United possesses teams of outstanding professionals in investment evaluation, enterprise management and business information analysis which are able to provide the Group with quality services such as project identification, assessment, and business information analysis on potential investments in a wide range of industries. United also have the competence and experience to provide project management and management enhancement services to the Group's investment projects in the PRC and will help enhance their operational efficiency and competitiveness.

Apart from the provision of general management consultancy services, United has been engaged by two large-scale commercial property developers in the PRC to provide them with services on investment planning, commercial management and sourcing of branded products. In addition, United has the channels and qualifications to engage in the promotion and sale of international and domestic branded products in the PRC.

Subsequent to 31 March 2012, the required capital was properly injected and verified and United became a 60% subsidiary of the Group accordingly.

FINANCIAL REVIEW

Liquidity

The Group recorded net current asset of HK$98,384,000 as at 31 March 2012 (2011: HK$17,922,000) and the current ratio was 2.40 (2011: 1.23). The significant improvement of the current assets and current ratio of the Group as at 31 March 2012 was deal to the reclassification of the assets and liabilities attributable to the mining operation to current assets and current liabilities as 70% of the gold mine is expected to be sold within twelve months. The current assets increased significantly from HK$94,502,000 as at 31 March 2011 to HK$168,603,000 as at 31 March 2012 as a result of reclassification of the mining right, which was recognised as non-current asset in previous years, to assets held for sale under the current assets.

The bank balance as at 31 March 2012 was HK$37,903,000 (2011: HK$81,474,000), of which most were denominated in Hong Kong dollars, US dollars and Renminbi. The cash position of the Group will improve a lot once the USD18 million consideration for the disposal of 70% gold mine being received after the payment of stamp duty.

Gearing ratio

The gearing ratio of the Group, which was expressed as a percentage of total borrowings to shareholders' equity, as at 31 March 2012 was 76.13% as compared to 34.97% as at 31 March 2011. The total borrowings as at 31 March 2012 amounted to approximately HK$38,706,000 (2011: HK$34,776,000) represented borrowings of HK$16,474,000 (2011: HK$14,715,000) 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$22,232,000 (2011: HK$20,061,000), which was interest free. These two borrowings were contracted to be repayable at 31 March 2014 without security. 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

There was no change in capital structure in the Current Year. As at 31 March 2012, 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 HK$50,839,000 (2011: HK$99,453,000).

Charges on assets

As at 31 March 2012, the Group had no charge on assets (2011: Nil).

Capital Commitments

As at 31 March 2012, the Group had a capital commitment of of RMB7.5 million, equivalent to approximately HK$9.25 million in respect of acquisition of equity interest in a company. Save as aforesaid, the Group did not have any significant capital commitments (2011: Nil).

Contingent liabilities

As at 31 March 2012, the Group had no contingent liabilities (2011: 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 2012, 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 2012.

FUTURE PLAN AND PROSPECTS

The operation of SH Comfort Group is more stable and healthy in Current Year with a conservative approach adopted. We maintain a very good relationship with the sole agent who has a very good insight to this business. We will continue to explore further co-operation opportunity with the sole agent to maximize the return to the Group.

The introduction of China Gold Group as the major shareholder of our gold mine in Kyrgyz Republic offers a prime opportunity for the Group to realize a considerable gain from our investment. With their expertise and relevant industry experience to take the lead in the exploration work at the mine as well as the financing for the exploration of the mine, we believe that our remaining 30% interest in the mine will generate lucrative return in near future.

It has been the Group's strategy to seek for investments from time to time with a view to diversifying its business scope and widening its revenue base. In view of the booming economy in the PRC, the Directors consider that the demand for consultancy services from enterprises or investors who are keen to enhance their competitiveness and improve their efficiency will increase. The investment in United let us tap into the consultancy services industry by capitalising on the existing infrastructure that United has developed since 2008. The Directors believe that the capital injection in United would help United to expand its business by recruiting additional professionals and that United would contribute positively to the performance of the Group immediately.

The management will continue to seek potential investment opportunities with the help of the professional team of United 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 2012, 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 2012 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 2012 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 2012 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 2012 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, 15 June 2012

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.