CHAOYUE GROUP LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 00147)

2012
ANNUAL REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Yuen Leong
Luan Li

Independent Non-Executive Directors

Lam Man Kit, Dominic
Yap Yung
Zhang Guang Sheng

COMPANY SECRETARY

Chung Yau Tong

AUDITOR

Deloitte Touche Tohmatsu

AUDIT COMMITTEE

Yap Yung *(Chairman)*
Lam Man Kit, Dominic
Zhang Guang Sheng

REMUNERATION COMMITTEE

Lam Man Kit, Dominic *(Chairman)*
Yap Yung
Zhang Guang Sheng

NOMINATION COMMITTEE

Zhang Guang Sheng *(Chairman)*
Lam Man Kit, Dominic
Yap Yung

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2302, 23rd Floor
China Insurance Group Building
141 Des Voeux Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Tricor Secretaries Limited
26/F, Tesbury Centre
28 Queen's Road East
Hong Kong

STOCK CODE

00147

COMPANY WEBSITE

www.chaoyuehk.com

The board of directors (the "Board" or the "Directors") of Chaoyue Group Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2012 (the "Current Year"), together with the comparative figures for the previous year.

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, 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 HK50,839,000 (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, Kyrgyz Republic 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.

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.

On behalf of the Board

Yuen Leong
Director

Hong Kong, 15 June 2012

YUEN LEONG — Executive Director

Mr. Yuen Leong, aged 54, was appointed as an Executive Director of the Company on 1 January 2008. Mr. Yuen holds a master degree in mechanical engineering from the Shanghai Jiao Tong University and was a senior research analyst of 福建省研究發展中心 (Fujian Provincial Research and Development Center*) from 1985 to 1991. Mr. Yuen is a director of Origin Seed Technology Inc., a company listed on Nasdaq. Mr. Yuen has over ten years of experience in corporate management and operation.

LUAN LI — Executive Director

Ms. Luan Li, aged 43, was appointed as an Executive Director of the Company on 20 August 2009. Ms. Luan graduated from the former 北京實驗大學 (Beijing Experimental University*) in 1990 majored in English for Foreign Enterprises. She has also obtained an Executive Master of Business Administration from the Queen's University of Brighton in 2003. Ms. Luan has over 20 years of experience in mineral resources trading, real estate development and investment in the agricultural industry. From 1991 to 1992, Ms. Luan was the manager of Guangzhou Branch of Leunson Trans Tech Corp. (USA) which was principally engaged in the business of mineral resources and equipment export trading. From 1992 onwards, Ms. Luan was appointed as a member of senior management team of several multinational companies in Hong Kong and Mainland China which were principally engaged in real estate investment and development business and investment in the agricultural industry.

LAM MAN KIT, DOMINIC — Independent Non-Executive Director

Dr. Lam Man Kit, aged 64, is an Independent Non-Executive Director of the Company. He joined the Board in January 2008. Dr. Lam is the Chairman of the World Eye Organization. Dr. Lam obtained a doctorate degree in Medical Biophysics in 1970. He was appointed as Assistant Professor at Harvard Medical School and subsequently Professor of Biotechnology and Ophthalmology at Baylor College of Medicine. In 1988, Dr. Lam was invited to be the Founding Director of the Hong Kong Institute of Biotechnology. In 1990, Dr. Lam was appointed a member of the US President's Committee on the Arts and Humanities and awarded the KPMG Peat Marwick's High Tech Entrepreneur of the Year. Since January 2003, Dr. Lam was an independent non-executive director of New World TMT Limited, a company previously listed on the main board of the Stock Exchange and was privatized in March 2006.

YAP YUNG — Independent Non-Executive Director

Mr. Yap Yung, aged 38, was appointed as an Independent Non-Executive Director of the Company on 20 August 2009. Mr. Yap graduated from the University of Hong Kong in 1995 with a Bachelor's degree in mechanical engineering. He became a member of the Hong Kong Institute of Certified Public Accountants since 1999. He has also completed an advanced management course held by the London Business School and the University of Cambridge in 2003. Mr. Yap has over 10 years of corporate finance and audit experience gained from his previous employment. Mr. Yap was employed by PricewaterhouseCoopers as an audit manager from 1995 to 2002. Mr. Yap is currently the chief financial officer of China Lifestyle F&B Group Ltd., a company listed on The Stock Exchange of Hong Kong Limited in December 2011.

ZHANG GUANG SHENG — Independent Non-Executive Director

Mr. Zhang Guang Sheng, aged 62, was appointed as an Independent Non-Executive Director of the Company on 20 August 2009. Mr. Zhang graduated from 山東礦業學院 (Shangdong Mining Institute*) in 1975 majored in coal mining. Since graduation, he taught in 福建省煤炭工業學校 (Fujian Provincial Institute of Coal and Charcoal Industry*) till 1980. Since 1980, Mr. Zhang has served various posts with the PRC government. From 1985 to 1998, Mr. Zhang worked in 福建省人民政府辦公廳 (Fujian Provincial Government*). During 1998 to 2000, Mr. Zhang was the managing director and vice general manager of 福建中旅集團 (Fujian CTS Group*). Since 2000, Mr. Zhang is the assistant managing officer of 福建省口岸海防辦 (the Office of the Port Opening and Coastal Defense of Fujian Province*).

* The English translation of the name is for identification purpose only.

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.

BOARD OF DIRECTORS

The Board

The Board is responsible for formulating the goal and strategies, monitoring the business performance and approving investment proposals of the Group. The daily operations of the Group are delegated to the management of the Group. Prior to entering into any significant transactions, Board approval should be obtained.

The Board currently comprises five members. Two Executive Directors, namely: Mr. Yuen Leong and Ms. Luan Li; and three Independent Non-Executive Directors, namely: Dr. Lam Man Kit Dominic, Mr. Yap Yung and Mr. Zhang Guang Sheng.

The biographical details of the Board members are set out on page 7 of this Annual Report.

The Board meets regularly and additional meetings are convened as and when required to discuss the day-to-day operations and other affairs with the management. The Board met 6 times during the year ended 31 March 2012 and the attendance record is set out below:

	Attendance/ Number of Meetings
Executive Directors	
Mr. Yuen Leong	6/6 (4/4)*
Ms. Luan Li	6/6 (4/4)*
Independent Non-Executive Directors	
Dr. Lam Man Kit Dominic	6/6 (4/4)*
Mr. Yap Yung	6/6 (4/4)*
Mr. Zhang Guang Sheng	6/6 (4/4)*

* Regular Board meetings

During the year, not less than 14 days notice is given of a regular board meeting. Directors are welcomed to include matters to be discussed in the agenda before the meetings. The Directors have to declare their interests in the subject matters to be considered in the relevant meeting and the director, who or whose associates have any interest in any proposed resolution, must abstain from voting and will not be counted in quorum.

Minutes of each Board meeting will be drafted by the Company Secretary to record the matters discussed and decision resolved at Board meetings and will be circulated to the Board for comment within a reasonable time after each meeting. The final Board minutes are kept by the Company Secretary and available for inspection by Directors.

Directors can, upon reasonable request, seek independent professional advice in appropriate circumstances, at the expenses of the Company. The Board shall resolve to provide separate independent professional advice to Directors to assist the relevant Directors to discharge their duties to the Company.

Chairman and Chief Executive Officer

Under code provision A.2.1 of the CG Code, the roles and responsibilities of chairman and chief executive officer should be separated and should not be performed by the same individual.

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.

Board composition

All Directors, including the Independent Non-Executive Directors, are expressly identified in all corporate communications where directors have been mentioned.

As at the date of this report, the Board comprises five members, consisting of two Executive Directors and three Independent Non-executive Directors. The number of Independent Non-Executive Directors in the Board represents more than one-third of the Board in order to maintain a strong independent element on the Board, which can exercise independent judgment and ensure balance of power and authority.

The Company received, from each of the existing Independent Non-Executive Directors, an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company is satisfied with the independence of the Independent Non-Executive Directors.

Appointments, re-election and removal

In selecting and approving candidate for directorship, the Board will consider various criteria such as education, qualification, experience, integrity and the potential contribution to the Group. A newly appointed Director must be able to meet the standards as set out in Rules 3.08 and 3.09 of the Listing Rules. For Independent Non-Executive Directors, the candidates should also meet the independence criteria set out in Rule 3.13 of the Listing Rules.

Directors appointed to fill a causal vacancy are subject to election by shareholders at the next annual general meeting after their appointment and every Director is subject to retirement by rotation at least once every three years.

All Independent Non-Executive Directors have entered into service contracts with definite terms of services for three years.

Responsibilities of directors

Every newly appointed Director of the Company will receive a comprehensive, formal induction to ensure each of them has proper understanding of the structure, operation and business of the Group and aware of the responsibilities as a director under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the Group. All Directors understand that they should give sufficient time and attention to the affairs of the Company.

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.

Supply of and access of information

The Board and its committees will be supplied with adequate, complete and reliable information in a timely manner to enable them to make informed decisions. All Directors have separate and independent access to senior management and entitled to have access to board papers and related materials. During the year, the agenda and accompanying relevant materials are sent in full to all Directors at least 3 days before date of the regular board meeting.

BOARD COMMITTEES

The Board is supported by three committees with defined role and responsibilities for each committee. They are Remuneration Committee, Nomination Committee and Audit Committee. All committees were set up with a written terms of reference to deal clearly with its authority and duties. The committees will report their finding and decision and make necessary recommendations to the Board. Minutes of the committee meetings will be drafted by the Company Secretary and circulated for the comment of the members of the committee within a reasonable time. The final version of the committee minutes will be kept by the Company Secretary and such minutes are open for inspection by any Director.

(a) Remuneration Committee

The Remuneration Committee was established in May 2005 with terms of reference in compliance with the CG Code. It is responsible for overseeing the establishment and operation of formal and transparent procedures for developing the remuneration packages of Directors. It also provides effective supervision and administration of the Company's share option schemes.

The Company's objectives for its remuneration policy are to maintain fair and competitive packages based on business requirements and industry practice. In order to determine the level of remuneration and fees paid to Directors and senior management, market rates, director's workload and responsibilities and general economic situation would be taken into consideration.

The existing Remuneration Committee comprises three Independent Non-Executive Directors, namely Dr. Lam Man Kit, Dominic (Chairman of the Remuneration Committee), Mr. Yap Yung and Mr. Zhang Guang Sheng.

The Remuneration Committee has held one meeting during the year ended 31 March 2012 to review the remuneration packages of the Executive Directors of the Company and make recommendation to the Board. Individual attendance of each member of Remuneration Committee is set out below:

Name of Remuneration Committee Members	Attendance/ Number of Meetings
Dr. Lam Man Kit Dominic *(Chairman)*	1/1
Mr. Yap Yung	1/1
Mr. Zhang Guang Sheng	1/1

(b) Nomination Committee

The Nomination Committee was established in May 2005 with terms of reference in compliance with the CG Code to ensure formal, fair and transparent procedures for the new appointment and re-appointment of directors to the Board. It is responsible for reviewing the structure, size and composition of the Board and make recommendations to the Board regarding any proposed changes.

The existing Nomination Committee comprises three Independent Non-Executive Directors, namely Mr. Zhang Guang Sheng (Chairman of Nomination Committee), Dr. Lam Man Kit, Dominic and Mr. Yap Yung.

The Nomination Committee has held one meeting in the year ended 31 March 2012 to review the experience, qualification, professional knowledge, personal ethnics and integrity of the candidate of the nominees to be appointed as director of the Company, to review the structure, size and composition of the Board and to consider the independence of all the Independent Non-Executive Directors. Individual attendance of each member of Nomination Committee is set out below:

Name of Nomination Committee Members	Attendance/ Number of Meetings
Mr. Zhang Guang Sheng *(Chairman)*	1/1
Dr. Lam Man Kit Dominic	1/1
Mr. Yap Yung	1/1

(c) Audit Committee

The Company established the Audit Committee in December 1999 and has adopted a written terms of reference in compliance with the CG Code. The principal duties of the Audit Committee include, among other things, oversight of the relationship with external auditors, review of the Group's financial information and oversight of the Group's financial reporting system and internal control procedures.

The existing Audit Committee comprises of three Independent Non-executive Directors, namely Mr. Yap Yung (Chairman of Audit Committee), Dr. Lam Man Kit Dominic and Mr. Zhang Guang Sheng, and none of whom is a former partner of the Company's existing auditing firm. Mr. Yap Yung, has the appropriate professional qualification, accounting or related financial management expertise.

The Audit Committee held four meetings in the year ended 31 March 2012 for considering re-appointment of auditors, reviewing the annual results of the Group for the year ended 31 March 2011 and the interim results of the Group for the six months ended 30 September 2011 and discussing with the auditors of the Company on internal control, auditors' independence, auditors' remuneration and reviewing the internal control system of the Group. Individual attendance of each member of Audit Committee is set out below:

Name of Audit Committee Members	**Attendance/ Number of Meetings**
Mr. Yap Yung *(Chairman)*	4/4
Dr. Lam Man Kit Dominic	4/4
Mr. Zhang Guang Sheng	4/4

ACCOUNTABILITY AND AUDIT

Financial reporting

Management provides explanation and relevant materials to the Board to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The Directors acknowledge their responsibility for preparing the financial statements of the Group. The statement of the Auditors of the Company about their responsibilities on the financial statement of the Group is set out in the Independent Auditors' Report on pages 20 and 21.

The Board is responsible for presenting a balanced, clear and understandable assessment in annual and interim reports, other price-sensitive announcements and other financial disclosure required under regulatory requirements in a timely manner.

Internal controls

The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness through the Audit Committee. The Company has engaged a consulting firm to conduct a review of the effectiveness of the system of internal control of the major operating subsidiaries of the Group including recommendations to enhance the overall internal control system for the year ended 31 March 2012. The internal control review report has been approved by Audit Committee and the Board. Based on information furnished to it and on its own observations, the Board is satisfied with the present internal controls system.

Auditor's remuneration

For the year ended 31 March 2012, the Group's external auditors provided the following services to the Group:

	HK$'000
Statutory audit and interim review	2,000
Taxation	6
	2,006

SHAREHOLDERS RELATIONS

The Company has established various communications channels to facilitate communication with shareholders including sending of interim and annual reports, circulars for special transactions and posting of announcements on the websites of the Stock Exchange and the Company. Registered shareholders are notified by post of the shareholders' meeting. The shareholders' meetings of the Company provide a useful forum for shareholders to raise comments and exchange views with the Board. The Board welcomes the views of shareholders on matters affecting the Group and encourages them to attend shareholders' meetings to communicate any concerns they might have with the Board or management directly.

Directors' Report

The Directors have pleasure in presenting their report and the audited consolidated financial statements of the Company for the year ended 31 March 2012.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 39 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2012 are set out in the consolidated income statement on page 22.

The Directors do not recommend the payment of dividend for the year ended 31 March 2012.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year are set out in note 14 to the consolidated financial statements.

BORROWINGS

Particular of borrowings of the Group as at 31 March 2012 is set out in notes 23 and 24 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 29 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group during the year are set out on page 25 of the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company did not have any reserves available for distribution to shareholders as at 31 March 2012.

FIVE YEARS SUMMARY

A summary of the results and other assets and liabilities of the Group for the last five financial years is set out on page 78 of this Annual Report.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive Directors:

Yuen Leong
Luan Li

Independent Non-Executive Directors:

Lam Man Kit, Dominic
Yap Yung
Zhang Guang Sheng

In accordance with bye-law 87 of the Company's Bye-law, Luan Li and Zhang Guang Sheng will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Biographical details of Directors are set out on page 7 of this Annual Report.

DIRECTOR'S REMUNERATION

The remuneration of the Directors is determined with reference to the Director's duties, responsibilities, performance and the results of the Group. Details of the remuneration of the Directors are set out in note 12 to the consolidated financial statements.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the Independent Non-Executive Directors, an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited. The Company considered all of the Independent Non-Executive Directors are independent in accordance with the guidelines set out in the Listing Rules.

DIRECTOR'S SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting of the Company has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interests, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors of the Company or any of their respective associates have engaged in any business that competes or may compete with the business of the Group or have any other conflict of interests with the Group.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 March 2012, the interests and short positions of the directors and the chief executive and their associates in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (a) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(i) Long position in shares and underlying shares of the Company

Ordinary shares of HK$0.001 each of the Company

Name of Director	Capacity in which interests are held	Options to subscribe for Shares of the Company	Number of Shares interested	Interests as to % to the issued share capital of the Company
Yuen Leong	Interest of a controlled corporation	–	12,887,473,880 *(Note 1)*	68.46%
	Beneficial owner	9,000,000 *(Note 2)*	–	0.05%
Lam Man Kit, Dominic	Beneficial owner	9,000,000 *(Note 2)*	–	0.05%

Notes:

(1) These 12,887,473,880 shares are held by Long Grand Limited which is legally and beneficially owned as to 70% by Mr. Yam Yu and as to 30% by Mr. Yuen Leong. By virtue of his 30% direct interest in Long Grand Limited, Mr. Yuen Leong is deemed or taken to be interested in the 12,887,473,880 shares held by Long Grand Limited for the purposes of the SFO.

(2) Pursuant to the share option scheme adopted by a resolution of the Shareholders on 17 September 2004, these share options were granted on 17 July 2008 and are exercisable at HK$0.532 per Share (adjusted after share subdivision on 3 August 2009) from 17 July 2008 to 16 September 2014.

(ii) Long position in shares and underlying shares of the associated corporation

					Number of ordinary shares (long positions)	
Name of Director	Name of associated corporation	Interest held by controlled corporation	Personal interest	Family interest	Total number of shares held in associated corporation	Approximate percentage of issued share capital of associated corporation
Yuen Leong	Long Grand Limited	–	Beneficial owner	–	300	30%

Save as disclosed above, as at 31 March 2012, none of the Directors and the chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO), (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 34 to the consolidated financial statements.

The following table disclosed movements in the Company's share options during the year:

	Exercise period	Outstanding at 1 April 2011	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding at 31 March 2012
Directors:						
Yuen Leong	17/7/2008 – 16/9/2014	3,000,000	–	–	–	3,000,000
	17/7/2009 – 16/9/2014	3,000,000	–	–	–	3,000,000
	17/7/2010 – 16/9/2014	3,000,000	–	–	–	3,000,000
Lam Man Kit,	17/7/2008 – 16/9/2014	3,000,000	–	–	–	3,000,000
Dominic	17/7/2009 – 16/9/2014	3,000,000	–	–	–	3,000,000
	17/7/2010 – 16/9/2014	3,000,000	–	–	–	3,000,000
Total directors		18,000,000	–	–	–	18,000,000
Employees	17/7/2008 – 16/9/2014	16,000,000	–	–	–	16,000,000
	17/7/2009 – 16/9/2014	16,000,000	–	–	–	16,000,000
	17/7/2010 – 16/9/2014	16,000,000	–	–	–	16,000,000
Total employees		48,000,000	–	–	–	48,000,000
Grant total		**66,000,000**	**–**	**–**	**–**	**66,000,000**

All share options were granted on 17 July 2008. The number of share options and exercised price had been adjusted after share subdivision on 3 August 2009. The adjusted exercise price is HK$0.532 per shares.

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Other than the option holdings disclosed above, at no time during the year was the Company, its holding company, fellow subsidiaries or subsidiaries was a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2012, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

Name	Interest in shares	Nature of interest	Percentage of the Company's issued share capital
Long Grand Limited *(Note)*	12,887,473,880	Direct beneficial owner	68.46%

Note: Long Grand Limited is legally and beneficially owned as to 70% by Mr. Yam Yu and as to 30% by Mr. Yuen Leong.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 March 2012.

CONNECTED TRANSACTIONS

Neither the Group nor the Company has any connected transactions and/or continuing connected transactions as defined under Chapter 14A of the Listing Rules during the year under review.

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.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

EMOLUMENT POLICY

The emolument policy for the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence. The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the market rates, workload and responsibilities and general economic situation.

The Company has adopted the share option scheme and granted share options to Directors and eligible employees for the year ended 31 March 2012. Details of the scheme and the movements in the share options granted are set out in note 34 to the consolidated financial statements.

COMMITMENTS

Details of commitments are set out in notes 33 and 37 to the financial statements.

RETIREMENT BENEFIT SCHEMES

Details of the retirement benefit schemes operated by the Group are set out in note 35 to the financial statements.

LITIGATION AND ARBITRATION

As at the date of this report, there was no any litigation and arbitration for the Group.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 March 2012.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's largest customer and five largest customers accounted for approximately 54.11% (2011: 3.07%) and 91.36% (2011: 9.85%) respectively of the Group's total turnover for the year.

The Group's largest supplier and five largest suppliers accounted for approximately 99.82% (2011: 49.02%) and 100% (2011: 88.32%) respectively of the Group's total purchases for the year.

According to the understanding of the Directors, none of the Directors, their associates or any shareholders who owned more than 5% of the Company's share capital had any interests in the five largest customers or suppliers at any time during the year.

EVENT AFTER THE BALANCE SHEET DATE

Details of significant events occurring after the balance sheet date are set out in note 38 to the financial statements.

AUDITOR

The financial statements for the year ended 31 March 2012 have been audited by Deloitte Touche Tohmatsu. Deloitte Touche Tohmatsu will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Yuen Leong
Director

Hong Kong, 15 June 2012

Deloitte.
德勤

TO THE MEMBERS OF CHAOYUE GROUP LIMITED
超越集團有限公司
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Chaoyue Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 22 to 77, which comprise the consolidated statement of financial position as at 31 March 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2012, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
15 June 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2012

	NOTES	**2012 HK$'000**	2011 HK$'000 (Restated)
Continuing operations			
Revenue	*7*	**23,101**	24,498
Cost of sales		**(7,486)**	(45,425)
Gross profit (loss)		**15,615**	(20,927)
Other income, gains and losses	*8*	**2,586**	7,678
Distribution and selling expenses		**(3,261)**	(12,942)
Administrative expenses		**(25,182)**	(85,632)
Finance costs	*9*	**(2,541)**	(1,114)
Impairment loss on property, plant and equipment	*14*	**–**	(63,753)
Impairment loss on intangible assets	*15*	**–**	(23,516)
Impairment loss on goodwill	*16*	**–**	(27,085)
Loss before taxation		**(12,783)**	(227,291)
Income tax credit	*10*	**1,570**	6,696
Loss for the year from continuing operations		**(11,213)**	(220,595)
Discontinued operation			
Loss for the year from discontinued operation	*11*	**(32,716)**	(24,142)
Loss for the year	*12*	**(43,929)**	(244,737)
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	*13*		
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	*14*	**13,085**	16,281
Intangible assets	*15*	**–**	131,770
Goodwill	*16*	**–**	–
		13,085	148,051
Current assets			
Inventories	*18*	**–**	1,147
Amounts due from customers for contract work	*19*	**–**	1,556
Trade and other receivables	*20*	**1,899**	10,325
Bank balances and cash	*21*	**37,903**	81,474
		39,802	94,502
Assets classified as held for sale	*11*	**128,801**	–
		168,603	94,502
Current liabilities			
Amounts due to customers for contract work	*19*	**910**	923
Trade and other payables	*22*	**55,137**	62,417
Tax payable		**1,008**	2,508
Warranty provision	*25*	**1,575**	1,428
Deferred income	*26*	**10,326**	9,304
		68,956	76,580
Liabilities associated with assets classified as held for sale	*11*	**1,263**	–
		70,219	76,580
Net current assets		**98,384**	17,922
Total assets less current liabilities		**111,469**	165,973

Consolidated Statement of Financial Position (Continued)

At 31 March 2012

	NOTES	2012 HK$'000	2011 HK$'000
Non-current liabilities			
Amount due to a director of a subsidiary	*23*	**22,232**	20,061
Borrowings	*24*	**16,474**	14,715
Deferred income	*26*	**8,866**	17,361
Customer's deposit		**10,000**	10,000
Deferred taxation	*27*	**–**	–
		57,572	62,137
		53,897	103,836
Capital and reserves			
Share capital	*29*	**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
Amount recognised in other comprehensive income relating to assets classified as held for sale and including in non-controlling interests		**137**	–
		53,897	103,836

The consolidated financial statements on pages 22 to 77 were approved and authorised for issue by the Board of Directors on 15 June 2012 and are signed on its behalf by:

Yuen Leong
DIRECTOR

Luan Li
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 March 2012

	Attributable to owners of the Company										
	Share capital	Non-voting convertible preference shares	Share premium	Contributed surplus	Capital redemption reserve	Share option reserve	Translation reserve	Accumulated losses	Total	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(note 28)		*(note 30)*	*(Note)*						
At 1 April 2010	18,824	41,170	7,382,924	51,655	3,781	15,330	426	(7,171,211)	342,899	5,886	348,785
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	(1,123)	–	(1,123)	84	(1,039)
Loss for the year	–	–	–	–	–	–	–	(243,150)	(243,150)	(1,587)	(244,737)
Total comprehensive expense for the year	–	–	–	–	–	–	(1,123)	(243,150)	(244,273)	(1,503)	(245,776)
Share-based payments	–	–	–	–	–	827	–	–	827	–	827
At 31 March 2011 and 1 April 2011	18,824	41,170	7,382,924	51,655	3,781	16,157	(697)	(7,414,361)	99,453	4,383	103,836
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	(6,015)	–	(6,015)	5	(6,010)
Loss for the year	–	–	–	–	–	–	–	(42,599)	(42,599)	(1,330)	(43,929)
Total comprehensive expense for the year	–	–	–	–	–	–	(6,015)	(42,599)	(48,614)	(1,325)	(49,939)
At 31 March 2012	18,824	41,170	7,382,924	51,655	3,781	16,157	(6,712)	(7,456,960)	50,839	3,058	53,897

Note: The capital redemption reserve represents amounts transferred from contributed surplus upon the repurchase of the Company's shares.

Consolidated Statement of Cash Flows

For the year ended 31 March 2012

	NOTE	2012 HK$'000	2011 HK$'000
Operating activities			
Loss before taxation from continuing operations		**(12,783)**	(227,291)
Loss before taxation from discontinued operation		**(32,716)**	(24,142)
		(45,499)	(251,433)
Adjustments for:			
Depreciation of property, plant and equipment		**3,821**	20,095
Amortisation of intangible assets		**9,478**	16,120
Allowance on bad and doubtful debts, net		**4,129**	41,898
Foreseeable loss on construction contract		**1,271**	16,865
Allowance for obsolete and slow-moving inventories		**475**	694
Bank interest income		**(324)**	(264)
Finance costs		**2,541**	1,114
Warranty charges		**164**	191
Impairment loss on advances to suppliers		**2,979**	10,802
Impairment loss on property, plant and equipment		**–**	63,753
Impairment loss on goodwill		**–**	27,085
Impairment loss on intangible assets		**–**	23,516
Share-based payment expenses		**–**	827
Gain on disposal of a subsidiary		**–**	(3)
Loss on disposal of property, plant and equipment		**–**	15
Gain on extension of non-interest bearing payable to a director of a subsidiary		**–**	(4,177)
Operating cash flows before movements in working capital		**(20,965)**	(32,902)
Decrease in inventories		**672**	107
Decrease (increase) in amounts due from customers for contract work		**285**	(7,125)
(Increase) decrease in trade and other receivables		**(5,734)**	14,650
Decrease in amounts due to customers for contract work		**(13)**	(1,326)
(Decrease) increase in trade and other payables		**(9,738)**	31,009
Decrease in warranty provision		**(17)**	(44)
Decrease in deferred income		**(8,352)**	(5,655)
Cash used in operations		**(43,862)**	(1,286)
Enterprise income tax ("EIT") paid, net		**(10)**	(315)
Interest paid		**13**	–
Net cash used in operating activities		**(43,859)**	(1,601)

	NOTE	2012 HK$'000	2011 HK$'000
Investing activities			
Interest received		**324**	264
Purchases of property, plant and equipment		**(33)**	(928)
Proceeds from disposal of property, plant and equipment		**–**	5
Disposal of a subsidiary (net of cash and cash equivalents disposed of)		**–**	(1)
Net cash from (used in) investing activities		**291**	(660)
Cash used in financing activities			
Repayment to a director of a subsidiary		**–**	(111)
Net decrease in cash and cash equivalents		**(43,568)**	(2,372)
Cash and cash equivalents at beginning of the year		**81,474**	83,618
Effect of foreign exchange rate changes		**81**	228
Cash and cash equivalents at end of the year		**37,987**	81,474
Represented by:			
Bank balances and cash		**37,903**	81,474
Cash and cash equivalents included in disposal groups held-for-sale		**84**	–
		37,987	81,474

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.

The Company is an investment holding company. Details of the principal activities of its subsidiaries are set out in note 39.

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

New and revised HKFRSs applied in the current year

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

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (Revised 2009)	Related Party Disclosures
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.

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

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 HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[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 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2015
[4] Effective for annual periods beginning on or after 1 January 2012
[5] Effective for annual periods beginning on or after 1 July 2012
[6] Effective for annual periods beginning on or after 1 January 2014

The directors of the Company anticipate that the application of the 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 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 (the "Listing Rules") 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.

The principal accounting policies are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods is recognised when goods are delivered and title has passed.

Royalty fee income is recognised when the rights to receive payment are established.

Income from leasing of direct drinking water purification machines when lease term and rental are fixed or pre-determined is recognised on a straight-line basis over the relevant lease terms. Prepayment received in advance of the commencement of the lease term of direct drinking water purification machines is recorded as deferred income and is released to profit or loss on a straight line basis over the relevant lease terms when lease term and rental are fixed or pre-determined, as appropriate.

Contract revenue from construction and installation contract is recognised when the outcome of the contract can be estimated reliably and the stage of completion at the end of reporting period can be measured reliably. Revenue from construction and installation contracts is recognised on the percentage of completion method, measured by reference to the stage of completion of the contract activity at the end of the reporting period. When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract cost incurred that it is probable to be recoverable.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Construction and installation contracts

Where the outcome of a construction and installation contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction and installation contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

Leasing

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

The Group as lessor

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollar) using exchange rate prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve attributed to non-controlling interests as appropriate.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in equity under the heading of translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefit scheme

Payments to state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme which are defined contribution schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses as follows:

(i) *Mining license*

Mining license is stated at cost less accumulated amortisation and impairment losses. The mining license is amortised using straight line method over the remaining terms of the mining license under the exploration and evaluation period. Such mining license will be transferred to mining rights, another sub-category of intangible assets, when the technical feasibility and commercial viability of extracting the mineral resources in the mine are demonstrated. On the other hand, when it is established that the mining is not economically viable, the net carrying amount of the mining license will be written off.

(ii) *Patents*

Patents are stated at cost less accumulated amortisation and impairment losses. The patents are amortised on a straight line basis over the respective periods of the useful life.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair values of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are generally classified as loans and other receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets classified as receivables are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more that occurred after the initial recognition of the financial asset, the estimated future cash flow of financial assets have been affected.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables, amount due to a director of a subsidiary and borrowings are subsequently measured at amortised cost, using the effective interest method.

Non-voting convertible preference shares

Non-voting convertible preference shares which are non-redeemable financial instruments that can only be converted to a fixed number of the ordinary shares of the Company are accounted for as equity and measured at fair value at initial recognition.

When the non-voting convertible preference shares are converted, the convertible preference shares is transferred to ordinary share capital and share premium. Transaction costs relating to issuance of the equity instrument are charged directly to equity.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Share-based payment transactions

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period or is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in share option reserve.

At the end of reporting period, the Group revises its estimates of the number of option that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

Impairment losses on tangible and intangible assets other than goodwill (see accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the management of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of property, plant and equipment

As at 31 March 2012, the management reconsidered the recoverability of property, plant and equipment, which are included in its consolidated statement of financial position, of approximately HK$13,085,000 (2011: HK$16,281,000). Management has evaluated the recoverability of the property, plant and equipment by way of discounted cash flow analysis on sales forecast and discount rate and a considerable amount of judgment is required. If the actual sales achieved are less than expected, further impairment loss may be recognised.

Allowance for bad and doubtful debts

The policy for allowance for bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of trade and other receivables and on management's estimation. A considerable amount of estimation is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2012, the carrying amount of trade and other receivables is HK$1,899,000 (net of allowance for doubtful debts of HK$68,432,000) (2011: carrying amount of HK$10,325,000, net of allowance for doubtful debts of HK$58,619,000).

Estimation of foreseeable losses in respect of construction and installation contracts

The Group's management estimates the amount of foreseeable losses of the construction and installation contracts works based on the management budgets prepared for the construction and installation works. Budgeted contract income is determined in accordance with the terms set out in the relevant contracts. Budgeted costs which mainly comprise costs of material are prepared by the management on the basis of quotations from time to time provided by the major suppliers/vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, the Group's management conducts periodic review on the management budgets by comparing the budgeted amounts to the actual amounts incurred. As at 31 March 2012, the carrying amount of amounts due from customers for contract is Nil (net of accumulated foreseeable loss of HK$19,634,000) (2011: carrying amount of HK$1,556,000, net of accumulated foreseeable loss of HK$18,363,000).

Provision

Provision has been made for additional costs to repair or replace defective goods, such as labour (whether internal or external) and material costs, and cost that might not be recovered from customers for rework. The provision requires management to estimate the extent of repair work and replacements with reference to historical warranty trends. Any of these factors may affect the extent of the repair work or replacement required and therefore the ultimate repair and replacement costs to be incurred in the future period. As at 31 March 2012, the carrying amount of warranty provision is HK$1,575,000 (2011: HK$1,428,000).

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the amount due to a director of a subsidiary disclosed in note 23, borrowings disclosed in note 24, cash and cash equivalents disclosed in note 21, and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the new shares issues, and share buy-back as well as the issue of new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

The disclosure for financial instruments set out below excluding those included in assets and liabilities classified as held for sale.

(a) Categories of financial instruments

	2012	2011
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**38,433**	89,317
Financial liabilities		
Amortised cost	**57,498**	59,177

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank balances and cash, trade and other payables, amount due to a director of a subsidiary and borrowings. Details of these financial instruments are disclosed in respective notes.

The directors of the Company monitor and manage the financial risks relating to the operations of the Group through internal risk assessment which analyses exposures by degree and magnitude of risks. The risks included market risk (including currency risks and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Foreign currency risk management

The Group has bank balances denominated in foreign currencies, which expose the Group to foreign currency risk.

The carrying amount of the Group's foreign currency denominated monetary assets and loans to foreign operation at the end of respective reporting periods are as follow:

	2012	2011
	HK$'000	HK$'000
Assets		
HKD	**12,174**	54,849
United States Dollars ("USD")	**22,646**	22,508

	2012	2011
	HK$'000	HK$'000
Liabilities		
HKD	**50,798**	50,796

The Group currently does not enter into any derivative contracts to minimise the currency risk exposure. However, the management will consider hedging significant currency risk should the need arise.

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in HKD and USD against RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in the RMB against the relevant foreign currencies. 5% is the sensitivity rate used in management's assessment of the possible reasonably change in foreign exchange rates. The sensitivity analysis includes external monetary items as well as loans to foreign operations within the Group where the denomination is in foreign currency and adjusts their translation at the year end for a 5% change in foreign currency rates. A negative number indicates an increase in loss before tax for the year where the RMB strengthens against the relevant currencies. For a 5% weakening of the RMB against the relevant currencies, there would be an equal and opposite impact on loss before tax for the year.

	2012	2011
	HK$'000	HK$'000
RMB against HKD		
Profit (loss) before tax for the year	**1,931**	(202)
RMB against USD		
Loss before tax for the year	**(1,132)**	(1,125)

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Interest rate risk management

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances.

The Group is exposed to fair value interest rate risk in relation to fixed-rate borrowing (see note 24). The Group currently do not enter into any hedging instrument for fair value interest rate risk.

The directors of the Company consider the exposure to interest rate risk is minimal and no sensitivity analysis on cash flow interest rate risk is therefore presented.

Credit risk management

As at 31 March 2012, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk on trade receivables, with exposure spread over a number of counterparties and customers.

The Group's credit risk on liquid funds is limited because the counterparties are banks with high credit ratings and good reputation.

Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The Group relies on borrowings and amount due to a director of a subsidiary as a significant source of liquidity.

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk management (Continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows.

	Weighted average interest rate	Less than 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 March 2012							
Non-derivative financial liabilities							
Trade payables	–	1,393	2,599	456	–	4,448	4,448
Other payables	–	347	3,365	632	–	4,344	4,344
Customer's deposit	–	–	–	–	10,000	10,000	10,000
Amount due to a director of a subsidiary	6.65	–	–	–	25,287	25,287	22,232
Borrowings	12.00	–	–	–	18,843	18,843	16,474
		1,740	5,964	1,088	54,130	62,922	57,498
As at 31 March 2011							
Non-derivative financial liabilities							
Trade payables	–	3,173	5,427	2,508	–	11,108	11,108
Other payables	–	1,394	1,495	404	–	3,293	3,293
Customer's deposit	–	–	–	–	10,000	10,000	10,000
Amount due to a director of a subsidiary	6.65	–	–	–	23,779	23,779	20,061
Borrowings	12.00	–	–	–	18,134	18,134	14,715
		4,567	6,922	2,912	51,913	66,314	59,177

(c) Fair value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. REVENUE AND SEGMENT INFORMATION

Continuing operations

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

	2012 HK$'000	2011 HK$'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 have 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 a separate reportable and operating segment in previous years (see note 11 for details of the disposal).

7. REVENUE AND SEGMENT INFORMATION (Continued)

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)

7. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

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.

7. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

	2012 HK$'000	2011 HK$'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

7. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

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

7. REVENUE AND SEGMENT INFORMATION (Continued)

Other segment information (Continued)

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 were generated from customers in the PRC. All non-current assets used in continuing operations are located in the PRC.

Information about major customers

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

	2012 HK$'000	2011 HK$'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.

8. OTHER INCOME, GAINS AND LOSSES

	2012 HK$'000	2011 HK$'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.

9. FINANCE COSTS

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

10. 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 *(note 27)*	**–**	(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.

10. INCOME TAX CREDIT (Continued)

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 2013. The applicable EIT rate for the Group's other PRC subsidiaries is 25%.

The income tax credit for the year can be reconciled to the loss before taxation as follows:

	2012 **HK$'000**	2011 HK$'000 (Restated)
Loss before taxation:		
Continuing operations	**(12,783)**	(227,291)
Tax at the domestic income tax rate of 25%	**(3,196)**	(56,823)
Tax effect of income not taxable for tax purposes	**(699)**	(1,996)
Tax effect of expenses not deductible for tax purposes	**3,743**	8,596
Tax effect of deductible temporary differences not recognised	**3,342**	33,503
Utilisation of deductible temporary differences previously not recognised	**(4,148)**	–
Tax effect of tax losses not recognised	**1,993**	8,901
Utilisation of tax losses previously not recognised	**(1,158)**	–
Over provision in prior year	**(1,576)**	–
Income tax on concessionary rate	**129**	1,123
Income tax credit for the year	**(1,570)**	(6,696)

The domestic income tax rate represents the tax rate in the jurisdiction where the operation of the Group is substantially based.

11. 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 the 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	2011
	HK$'000	HK$'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% equity interest of each of Acme Day Limited and Fastmind Investments Limited has been completed. The sale proceed monies is kept in escrow account.

11. ASSETS HELD FOR SALE AND DISCONTINUED OPERATION (Continued)

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

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

12. LOSS FOR THE YEAR

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

	2012 HK$'000	2011 HK$'000 (Restated)
Directors' emoluments *(note 12(a))*	**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 *(note 19)*	**1,271**	16,865
Allowance on bad and doubtful debts, net, recognised in administrative expenses *(note 20)*	**4,129**	41,898
Impairment loss on advances to suppliers recognised in administrative expenses *(note 20)*	**2,979**	10,802

12. LOSS FOR THE YEAR (Continued)

Notes:

(a) Information regarding directors' and employees' emoluments

The emoluments paid or payable to each of the five (2011: five) directors are as follows:

	Executive Director		**Independent non-executive director**			
	Yuen Leong HK$'000	**Luan Li HK$'000**	**Lam Man Kit Dominic HK$'000**	**Yap Yung HK$'000**	**Zhang Guang Sheng HK$'000**	**2012 Total HK$'000**
Fees	**–**	**–**	**200**	**200**	**200**	**600**
Other emoluments						
Salaries and other benefits	**600**	**600**	**–**	**–**	**–**	**1,200**
Retirement benefit scheme contributions	**–**	**12**	**–**	**–**	**–**	**12**
	600	**612**	**200**	**200**	**200**	**1,812**

	Executive Director		Independent non-executive director			
	Yuen Leong HK$'000	Luan Li HK$'000	Lam Man Kit Dominic HK$'000	Yap Yung HK$'000	Zhang Guang Sheng HK$'000	2011 Total HK$'000
Fees	–	–	200	200	200	600
Other emoluments						
Salaries and other benefits	600	600	–	–	–	1,200
Share-based payments	113	113	–	–	–	226
	713	713	200	200	200	2,026

12. LOSS FOR THE YEAR (Continued)

Notes: (Continued)

(b) Employees

The five highest paid individuals of the Group included two directors (2011: one director), whose emoluments are disclosed above. The emoluments of the remaining three (2011: four) highest paid employees are as follows:

	2012 **HK$'000**	2011 HK$'000
Salaries and others	**3,232**	3,572
Share-based payments	**–**	501
Retirement benefit scheme contributions	**24**	36
	3,256	4,109

Their emoluments were within the following bands:

	2012 **Number of employee**	2011 Number of employee
HK$500,001 to HK$1,000,000	**1**	3
HK$1,000,001 to HK$1,500,000	**2**	1
HK$2,500,001 to HK$3,000,000	**–**	–

During the years ended 31 March 2012 and 2011, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. No director had waived any emoluments during both years.

13. 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 (see Note 28) 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 cent per share (2011: HK0.12 cent per share), based on the loss for the year from discontinued operation attributable to the owner of the Company 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.

14. PROPERTY, PLANT AND EQUIPMENT

	Machinery and equipment	Furniture and office equipment	Motor vehicles	Leasehold improvements	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost					
At 1 April 2010	110,119	2,689	761	2,389	115,958
Exchange adjustments	4,842	116	32	13	5,003
Additions	828	100	–	–	928
Disposals	–	–	(39)	–	(39)
At 31 March 2011 and 1 April 2011	115,789	2,905	754	2,402	121,850
Exchange adjustments	4,523	110	30	12	4,675
Additions	33	–	–	–	33
At 31 March 2012	120,345	3,015	784	2,414	126,558
Depreciation and impairment					
At 1 April 2010	17,390	765	263	2,049	20,467
Exchange adjustments	1,204	50	15	4	1,273
Provided for the year	18,942	744	188	221	20,095
Impairment loss recognised *(Note)*	63,753	–	–	–	63,753
Eliminated on disposals	–	–	(19)	–	(19)
At 31 March 2011 and 1 April 2011	101,289	1,559	447	2,274	105,569
Exchange adjustments	3,989	67	19	8	4,083
Provided for the year	2,857	715	149	100	3,821
At 31 March 2012	108,135	2,341	615	2,382	113,473
Carrying values					
At 31 March 2012	12,210	674	169	32	13,085
At 31 March 2011	14,500	1,346	307	128	16,281

The above items of property, plant and equipment are depreciated on a straight-line basis after taking into account their estimated residual value at the following rates per annum:

Machinery and equipment	10 – $33\frac{1}{3}$%
Furniture and office equipment	10 – $33\frac{1}{3}$%
Motor vehicles	10 – 20%
Leasehold improvements	Shorter of the lease periods or five years

Note: Details of the impairment testing are set out in note 17.

15. INTANGIBLE ASSETS

The movements in intangible assets during the year is summarised as follows:

	Patents HK$'000 *(Note a)*	Mining license HK$'000 *(Note b)*	Total HK$'000
Cost			
At 1 April 2010	94,000	151,379	245,379
Exchange adjustments	–	(2,590)	(2,590)
At 31 March 2011 and 1 April 2011	94,000	148,789	242,789
Exchange adjustments	–	451	451
Reclassified as held for sale	–	(149,240)	(149,240)
At 31 March 2012	94,000	–	94,000
Amortisation and impairment			
At 1 April 2010	67,000	4,528	71,528
Exchange adjustments	–	(145)	(145)
Amortisation	3,484	12,636	16,120
Impairment losses recognised	23,516	–	23,516
At 31 March 2011 and 1 April 2011	94,000	17,019	111,019
Exchange adjustments	–	145	145
Amortisation	–	9,478	9,478
Reclassified as held for sale	–	(26,642)	(26,642)
At 31 March 2012	94,000	–	94,000
Carrying values			
At 31 March 2012	–	–	–
At 31 March 2011	–	131,770	131,770

15. INTANGIBLE ASSETS (Continued)

Notes:

a. The patents arose on acquisition of Park Wealth International Limited and its subsidiaries (collectively referred to as the "the Park Wealth Group") in relation to the design and production of direct drinking water purification machines which have finite useful lives. Such patents are amortised on a straight-line basis over the estimated useful life of approximately five years.

Details of impairment testing are set out in note 17.

b. The mining license represents exploration and evaluation assets which arose on acquisition of Eagle Mountain Holdings Limited and its subsidiaries (the "Eagle Mountain Group") in November 2009. At subsequent reporting periods, mining license is measured using the cost model subject to impairment.

The mining license cost is amortised on a straight line method until the end of the terms of the mining rights in 2021. The Group has an option to extend the mining license from 31 December 2021 for not more than 20 years in accordance with the local rules and regulations.

During the year, the mine with copper and gold mineral is still under exploration and evaluation stage. The mining license is amortised under straight line method. Such mining license will be transferred to mining rights, another sub-category of intangible assets, when the technical feasibility and commercial viability of extracting the mineral resources in the mine are demonstrated. On the other hand, when it is established that the mining is not economically viable, the net carrying amount of the mining license will be written off. Amortisation will be provided to write off the cost of the mining rights using the units of production method based on the proven and probable mineral reserves under the assumption that the Group can renew the mining rights till all proven and probable mineral reserves have been depleted if the mining activity is carried out.

On 6 January 2012, the Group entered into an agreement to dispose of its mining operations. Thus, the mining license, which is related to the mining operation, was reclassified to assets classified as held for sale (see note 11).

The directors of the Company are of the opinion, based on the consideration for the aforesaid disposal, there is no impairment on the mining license for the year ended 31 March 2012.

16. GOODWILL

	HK$'000
Cost	
At 1 April 2010, 31 March 2011 and 31 March 2012	27,085
Impairment loss recognised *(Note)*	(27,085)
At 31 March 2011 and 31 March 2012	–

Note: During the year ended 31 March 2011, the Group recognised an impairment loss of HK$27,085,000 in relation on goodwill arising on acquisition of the Park Wealth Group. Details of impairment testing are set out in note 17.

17. IMPAIRMENT TESTING ON DIRECT DRINKING WATER BUSINESS

At 31 March 2011, the directors determined that the direct drinking water purification machines included in the Group's property, plant and equipment and patents, which relate to the direct drinking water business ("Direct Drinking Water Unit"), were impaired such that an impairment loss of approximately HK$63,753,000 and HK$23,516,000 respectively have been recognised. The impairment loss is attributable to the reduction in the expected revenue of Direct Drinking Water Unit as the actual revenue did not turn out as previously expected. The recoverable amounts of the direct drinking water purification machines and patents have been determined on the basis of their value in use. The discount rate in measuring the amount of value in use was 23.5%.

In addition to above, at 31 March 2011, management of the Company have performed a business valuation on the Direct Drinking Water Unit in order to estimate the recoverable amount of the Direct Drinking Water Unit based on value in use calculation. That calculation uses estimation of the cash flow projections based on financial budgets approved by management covering a 3-year period and a discount rate of 23.5%. Another key assumption for the value in use calculations is the budgeted gross margin, which is determined based on the cash generating unit ("CGU") past performance and management's expectations for the market development. The carrying amount of goodwill as at 31 March 2011 allocated to this CGU is determined to be fully impaired with reference to the above valuation and the impairment loss was as a result of the reduction in the expected revenue of the Direct Drinking Water Unit since the actual revenue did not turn out as previously expected.

The impairment losses recognised during year ended 31 March 2011 to reduce the carrying amounts of each class of assets to their recoverable amounts are as follows:

	2011 HK$'000
Direct drinking water purification machines	63,753
Patents	23,516
Goodwill	27,085
	114,354

During the year ended 31 March 2012, the directors of the Company determine that there are no further impairments of any of its CGUs containing goodwill, property, plant and equipment or patents with indefinite useful lives.

18. INVENTORIES

	2012 **HK$'000**	2011 HK$'000
Raw materials	–	888
Finished goods	–	259
	–	1,147

19. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	2012	2011
	HK$'000	HK$'000
Contracts in progress at the end of the reporting period:		
Contract costs incurred plus recognised profit less recognised losses	**36,753**	39,732
Less: Progress billings	**(37,663)**	(39,099)
	(910)	633
Analysed for reporting purposes as:		
Amounts due from customers for contract work	**–**	1,556
Amounts due to customers for contract work	**(910)**	(923)
	(910)	633

At 31 March 2012 and 2011, there were no retention monies held by customers for contract work performed. At 31 March 2012, advances received from customers for contract work amounted to approximately HK$1,700,000 (2011: HK$1,636,000) which were included in trade and other payables as the work has not been commenced.

During the year ended 31 March 2012, the Group recognised losses of approximately HK$1,271,000 (2011: HK$16,865,000) in respect of contract costs incurred on certain projects. The directors of the Company reviewed the recoverable amounts of contract costs incurred and identified certain projects are unlikely to be completed in the foreseeable future due to the delay of construction work of relevant development projects in the PRC. In the opinion of directors of the Company, the amounts are unlikely to be recovered from its customers and accordingly, losses are recognised in full in profit or loss.

20. TRADE AND OTHER RECEIVABLES

	2012 HK$'000	2011 HK$'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 equipment 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 HK$'000	2011 HK$'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.

20. TRADE AND OTHER RECEIVABLES (Continued)

At 31 March 2012, included in the Group's trade receivables balance are debtors with aggregate carrying amount of 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.

21. BANK BALANCES AND CASH

As at 31 March 2012, bank balances and cash comprise cash held by the Group and short-term bank deposits which carry prevailing market interest rate of 0.85% (2011: 0.84%) per annum with an original maturity of three months or less.

At the end of the reporting period, included in the bank balances and cash are following amount denominated in currency other than the functional currency of the respective group entity:

	2012	2011
	HK$'000	HK$'000
USD	**22,646**	22,508
HKD	**12,174**	54,849
	34,820	77,357

22. 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 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

23. AMOUNT DUE TO A DIRECTOR OF A SUBSIDIARY

	2012 HK$'000	2011 HK$'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.

24. BORROWINGS

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

As at 31 March 2012, the amounts represented unsecured fixed-rate loan 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.

25. WARRANTY PROVISION

	HK$'000
At 1 April 2010	1,281
Provided for the year	191
Amount utilised	(44)
At 31 March 2011 and 1 April 2011	1,428
Provided for the year	164
Amount utilised	(17)
At 31 March 2012	1,575

The provision for warranty claims represents the director's best estimate of the future outflow of economic benefits that will be required under the Group's warranty program for sales of air purification and water purification equipments, construction and installation of air purification and sewage treatment system for two to three years. The estimate has been made on the basis of historical warranty trends and may vary as a result of new materials and altered manufacturing processes.

26. DEFERRED INCOME

	Rental income HK$'000	Royalty fee income HK$'000	Total HK$'000
At 1 April 2010	30,516	574	31,090
Exchange adjustments	1,199	31	1,230
Additions	2,882	444	3,326
Released to revenue for the year	(8,803)	(178)	(8,981)
At 31 March 2011 and 1 April 2011	25,794	871	26,665
Exchange adjustments	835	44	879
Additions	–	1,247	1,247
Released to revenue for the year	(9,188)	(411)	(9,599)
At 31 March 2012	17,441	1,751	19,192

	2012 HK$'000	2011 HK$'000
Analysed for reporting purposes as:		
Current portion	**10,326**	9,304
Non-current portion	**8,866**	17,361
	19,192	26,665

Deferred income includes: (a) rental received in advance for direct drinking water purification machines. The amount is released to profit or loss based on a straight line basis over the relevant lease terms which is on average around 3 years, and rental are fixed and pre-determined; and (b) royalty fees received in advance for the operation of the direct drinking water purification machines business in certain specific locations and within a specified time period. The amount will be released to profit or loss on a straight line basis over the relevant contract period.

27. DEFERRED TAXATION

A summary of the deferred tax liabilities recognised and movement thereon during the current and prior year is as follows:

	Fair value adjustment of patents arising from acquisition of business HK$'000
At 1 April 2010	6,750
Credit to the profit or loss	(6,750)
At 31 March 2011, 1 April 2011 and 31 March 2012	–

At the end of the reporting period, the Group has the following unused tax losses that can be carried forward to future years. Their respective expiration years are as follows:

Expiry year	**2012** **HK$'000**	2011 HK$'000
2012	**–**	2,931
2013	**12,339**	14,298
2014	**6,085**	8,573
2015	**749**	749
2016	**35,187**	35,597
2017	**7,972**	–
No expiry date	**39,475**	39,475
	101,807	101,623

At 31 March 2012, the Group has deductible temporary differences of approximately HK$135,018,000 (2011: HK$138,242,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

No deferred tax asset has been recognised in respect of unused tax losses available for offset against future profits due to unpredictability of future profit streams.

28. NON-VOTING CONVERTIBLE PREFERENCE SHARES

On 12 February 2009, the Group acquired the Park Wealth Group pursuant to the agreement dated 11 October 2008 (the "Agreement") entered into between Successtime Limited, a wholly owned subsidiary of the Company and the shareholders of Park Wealth International Limited comprising Sure Achieve Limited, Sureguide Limited and Teamwon Limited ("Vendors"). According to the Agreement, the Group should issue convertible preference shares to the Vendors for the acquisition for the Park Wealth Group within 10 business days of the finalisation of the audited consolidated net profit after tax of the Park Wealth Group for the year ended 31 December 2009.

In July 2010, the consideration for the acquisition of the Park Wealth Group and the aggregate fair value of the convertible preference shares was finalised to be HK$41,170,000, which was satisfied by the issuance of an aggregate of 214,637,160 convertible preference shares with a par value of HK$0.001 each (after adjustment for share subdivision) which can be converted into the Company's ordinary shares without maturity date. The convertible preference shares shall at all times 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 distributions declared.

In the event of liquidation or dissolution or winding up, or merger, or reorganisation that will result in any distribution of assets of the Company to the existing shareholders of the Company, the holders of the convertible preference shares will receive an amount equal to 100% of the face value of the convertible preference shares. In addition, the ranking of the convertible preference shares is higher than ordinary shares, but lower than creditor in case of liquidation.

The holder of each convertible preference shares shall not have any voting rights. The convertible preference shares shall be non-redeemable and will not be listed on any stock exchange.

The holders of the convertible preference shares shall be entitled to convert the convertible preference shares into ordinary shares in the following manner:

(i) Up to 40% of the convertible preference shares anytime during the period commencing from the first business day following the second anniversary of the date of completion of the agreement until the third anniversary of the date of completion of the Agreement;

(ii) Up to 70% of the convertible preference shares anytime during the period commencing from the first business day following the third anniversary of the date of completion of the agreement until the fourth anniversary of the completion of the Agreement;

(iii) All the remaining convertible preference shares any time after the first business day following the fourth anniversary of the date of completion of the Agreement.

The holder of the convertible preference shares shall not exercise the conversion rights and the Company shall not issue any shares if, upon such conversion and/or issue, (i) the holder of the convertible preference shares and the parties acting in concert with it, will be interested in 30% (or such amount as may from time to time be specified in the Hong Kong Code on Takeovers and Mergers as being the level for triggering a mandatory general offer) or more of the then enlarged issued ordinary share capital of the Company on the relevant conversion date, or (ii) the shareholding in the Company held by the public will be less than 25% or the minimum prescribed percentage as set out in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong (the "Listing Rules") from time to time.

29. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Authorised:		
At 31 March 2011 and 2012		
Ordinary Shares of HK$0.001 each	498,000,000,000	498,000
Non-voting Convertible Preference Shares of HK$0.001 each	2,000,000,000	2,000
Issued and fully paid:		
At 31 March 2011 and 2012		
Ordinary Shares of HK$0.001 each	18,824,435,160	18,824
Non-voting Convertible Preference Shares of HK$0.001 each *(Note 28)*	214,637,160	41,170

30. CONTRIBUTED SURPLUS

The contributed surplus of the Group represents the difference between the nominal value of the shares and share premium of the then holding company and the nominal value of the Company's shares issued for the group reorganisation on 25 May 1993, together with the amounts transferred from share capital and share premium account as a result of the capital reduction taken place in August 2001, less dividends paid, amounts utilised on redemption of shares and amount eliminated against accumulated losses.

31. DISPOSAL OF SUBSIDIARIES

For the year ended 31 March 2011

On 23 March 2011, the Group disposed of its 100% equity interests in Shenzhen Kang Cheng He Air Purification Equipment Company Limited ("Shenzhen Kang Cheng He") to independent third parties for a consideration of approximately HK$617,000. Shenzhen Kang Cheng He was engaged in construction, installation of air purification and sewage treatment system.

	HK$'000
Consideration satisfied by:	
Consideration set off against payable to the purchaser *(Note 32)*	617
Analysis of assets and liabilities over which control was lost:	
Other receivables	4
Amount due from a group company	610
Bank balances and cash	1
Trade and other payables	(1)
Net assets disposed of	614

31. DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended 31 March 2011

	HK$'000
Gain on disposal of a subsidiary:	
Consideration receivable	617
Net assets disposed of	(614)
Gain on disposal	3
Net cash outflow arising on disposal:	
Bank balances and cash disposed of	1

The subsidiary disposed of did not contribute significantly to the Group's cash flows, revenue and profit from operations during the year ended 31 March 2011.

32. MAJOR NON-CASH TRANSACTION

During the year ended 31 March 2011, the Group disposed of its 100% equity interests in Shenzhen Kang Cheng He at a consideration of appropriate HK$617,000. The consideration was set off against other payable to the purchaser by the Group.

33. OPERATING LEASE COMMITMENTS

The Group as lessee

The Group made minimum lease payments of approximately HK$963,000 (2011: HK$2,845,000) under operating leases during the year in respect of rented premises and office equipments.

At the end of the reporting period, the Group had commitments for future minimum lease payments of approximately HK$1,179,000 under non-cancellable operating leases which fall due as follows:

	2012		2011	
	Rented premises HK$'000	**Office equipment HK$'000**	Rented premises HK$'000	Office equipment HK$'000
Within one year	**1,152**	**15**	2,349	16
In the second to fifth years inclusive	**12**	**–**	1,857	14
	1,164	**15**	4,206	30

Leases are negotiated for a term of 1 to 5 years with fixed rentals.

33. OPERATING LEASE COMMITMENTS (Continued)

The Group as lessor

The Group received minimum lease payments of approximately HK$13,339,000 (2011: HK$24,161,000) under operating leases during the year in respect of certain direct drinking water purification machines.

At the end of the reporting period, the Group has contracted with party for the following future minimum lease payments to be received:

	2012	2011
	HK$'000	HK$'000
Within one year	**–**	–
In the second to the fifth year inclusive	**–**	13,339
	–	13,339

Leases are negotiated for an average term of 3 years with fixed rentals.

The Group also has received HK$10 million customer's deposit on leasing direct drinking water purification machines and which will be repaid back to customer in December 2013.

34. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted on 17 September 2004 pursuant to a resolution passed by the Company's shareholders on 17 September 2004 for the primary purposes of providing incentives to any directors or full-time employees of the Company or any of its subsidiaries ("Eligible Employees") and will expire on 16 September 2014. Under the Scheme, the Board of Directors of the Company is authorised to grant options at a consideration of HK$1 per option to the Eligible Employees to subscribe for shares in the Company.

The maximum number of shares issued or which may be issuable under the Scheme cannot exceed 10% of the issued share capital of the Company excluding any shares issued pursuant to the Scheme at the date of adoption. The number of shares in respect of which options granted and may be granted to any Eligible Employee is not permitted to exceed 30% of the aggregate number of shares for the time being issued and issuable under the Scheme.

The offer of a grant of share options may be accepted within 21 days from the date of the offer together with the payment of nominal consideration of HK$1 per option by the grantee.

The exercisable period of an option is determined by the directors at their discretion. The expiry date of the option may be determined by the Board of Directors of the Company which shall not be later than the expiry day of the Scheme.

The exercise price is determined by the directors of the Company, and will not be less than the greater of: (i) the closing price of the Company on the offer date; (ii) the average of the closing price of the Company's shares for the 5 trading days immediately preceding the offer of the options and (iii) the nominal value per share of the Company.

34. SHARE OPTION SCHEME (Continued)

On 31 July 2009, a special resolution was passed by the shareholders of the Company to approve the subdivision of the issued and unissued ordinary Shares and convertible preference shares into 10 subdivided ordinary shares and 10 subdivided convertible preference shares of HK$0.001 each respectively. Pursuant to the terms and conditions of the Scheme and the requirements of Chapter 17 of the Listing Rules, the exercise price of the share options granted under the Scheme would be adjusted from HK$5.32 per ordinary share to HK$0.532 per subdivided share while the number of shares of the Company to be allotted and issued upon exercise of the subscription rights attaching to the share options would be adjusted from 8,400,000 ordinary shares to 84,000,000 subdivided ordinary shares as a result of the share subdivision. The total number of shares to be issued upon the exercise of all options granted under the Scheme is 66,000,000 as at 31 March 2012.

Details of the share options granted, exercised, and lapsed under the Scheme during the years ended 31 March 2012 and 2011 are as follows:

Category of Grantee	Date of grant	Exercise price per share	Exercisable period	Vesting period	At 1 April 2010, 31 March 2011 and 2012
Directors	17 July 2008	HK$0.532	7/17/2008 – 9/16/2014	N/A	6,000,000
			7/17/2009 – 9/16/2014	7/17/2008 – 7/16/2009	6,000,000
			7/17/2010 – 9/16/2014	7/17/2008 – 7/16/2010	6,000,000
					18,000,000
Employees	17 July 2008	HK$0.532	7/17/2008 – 9/16/2014	N/A	15,999,980
			7/17/2009 – 9/16/2014	7/17/2008 – 7/16/2009	16,000,010
			7/17/2010 – 9/16/2014	7/17/2008 – 7/16/2010	16,000,010
					48,000,000
Exercisable at the end of the year					66,000,000
Weighted average share price at date of exercise					N/A

During the year ended 31 March 2012, the Group recognised a total share-based compensation expense of Nil (2011: HK$827,000) in relation to share options granted by the Company.

35. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under control of a trustee. The Group contributes lower of 5% of relevant payroll costs or HK$1,000 per person to the Scheme, which is matched by employees.

The employees of the Group in the PRC are members of state-managed retirement benefit scheme operated by the PRC Government. The Company's subsidiary is required to contribute a certain percentage of payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the scheme is to make the required contributions under the scheme.

36. RELATED PARTY TRANSACTIONS

Other than disclosed in notes 23 and 33, the Group has the following transactions with related parties during the year:

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2012 **HK$'000**	2011 HK$'000
Short-term benefits	**4,432**	5,372
Retirement benefits scheme contribution	**24**	36
Share-based payments	**–**	727
	4,456	6,135

The remuneration of key management is determined having regard to the performance of individuals and market trends.

37. 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.

38. EVENT AFTER THE REPORT PERIOD

Other than disclosed in note 37, 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 11.

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operation	Issued and fully paid up share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company 2012 %	2011 %	Principal activities	Legal from
Directly held						
Surplus Rich Investments Limited	The BVI Hong Kong	US$1	**100**	100	Management service to group companies	Private limited liability company
Successtime Limited	The BVI Hong Kong	US$1	**100**	100	Investment holding	Private limited liability company
Indirectly held						
Park Wealth International Limited	The BVI Hong Kong	US$1	**100**	100	Investment holding	Private limited liability company
Eagle Mountain Holdings Limited	The BVI Hong Kong	US$100	**90**	90	Investment holding	Private limited liability company
Fastmind Investments Limited	Hong Kong Hong Kong	HK$1	**100**	100	Investment holding of mining operation	Private limited liability company
Acme Day Limited	Hong Kong Hong Kong	HK$1	**100**	100	Investment holding of mining operation	Private limited liability company
Tunlin Limited Liability Company	Republic of Kyrgyzstan	KGS5,000	**90**	90	Investment holding of mining operation	Limited liability company
Kichi-Chaarat Closed Joint Stock Company	Republic of Kyrgyzstan	KGS10,000	**90**	90	Mining, processing and sales of gold and copper	Limited liability company
上海康福特環境科技有限公司 Shanghai Comfort Environment and Science Company Limited*	The PRC	RMB46,000,000	**100**	100	Manufacturing and sales of air purification and water purification equipments, construction and installation of air purification and sewage treatment system	Limited liability company

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment/ operation	Issued and fully paid up share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company 2012 %	2011 %	Principal activities	Legal from
上海康福特水業發展有限公司 Shanghai Comfort Water Development Company Limited*	The PRC	RMB3,000,000	**100**	100	Leasing of direct drinking water purification machines and water purification service, sales of air purification and water purification equipments	Limited liability company
成都康福特水業有限責任公司 Chengdu Comfort Water Company Limited*	The PRC	RMB500,000	**100**	100	Leasing of direct drinking water purification machines and water purification service	Limited liability company
深圳康福特環保技術發展有限公司 Shenzhen Comfort Environment Protection Technology Development Company Limited*	The PRC	RMB1,000,000	**100**	100	Leasing of direct drinking water purification machines and water purification service	Limited liability company
上海康福特環保工程安裝有限公司 Shanghai Comfort Environment Engineering Company Limited*	The PRC	RMB5,100,000	**100**	100	Construction and installation of air purification and sewage treatment system	Limited liability company
上海康福特淨水有限公司 Shanghai Comfort Jing Shui Company Limited*	The PRC	RMB100,000	**100**	100	Leasing of direct drinking water purification machines and water purification service	Limited liability company
北京康福特康潔水業有限公司 Beijing Comfort Kang Jie Water Company Limited*	The PRC	RMB500,000	**100**	100	Leasing of direct drinking water purification machines and water purification service	Limited liability company

* The English name is for identification purpose only.

None of the subsidiaries had issued any debt securities at the end of the year.

The above table lists the subsidiaries of the Company with limited liability, except for otherwise denoted, which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

40. FINANCIAL INFORMATION OF THE COMPANY

ASSETS AND LIABILITIES

	2012 HK$'000	2011 HK$'000
Non-current assets		
Property, plant and equipment	–	1
Investments in subsidiaries	1	1
Amount due from subsidiaries	28,534	44,619
	28,535	44,621
Current assets		
Other receivables	1,015	1,646
Banks balances and cash	23,146	55,100
	24,161	56,746
Current liabilities		
Other payables	1,695	1,752
Amounts due to subsidiaries	162	162
	1,857	1,914
Net current assets	22,304	54,832
	50,839	99,453
Capital and reserves		
Share capital	18,824	18,824
Reserves	32,015	80,629
	50,839	99,453

Five Years Financial Summary

RESULTS

	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)
Turnover	**23,101**	24,498	107,700	60,533	178,096
(Loss) profit for the year from continuing operations	**(11,213)**	(220,595)	(7,104,208)	(48,106)	12,243
(Loss) profit for the year from discontinued operation	**(32,716)**	(24,142)	(4,177)	(4,431)	–
(Loss) profit for the year	**(43,929)**	(244,737)	(7,108,385)	(52,537)	12,243
Attributable to					
Owners of the Company	**(42,599)**	(243,150)	(7,107,864)	(52,537)	12,243
Non-controlling interests	**(1,330)**	(1,587)	(521)	–	–
	(43,929)	(244,737)	(7,108,385)	(52,537)	12,243

ASSETS AND LIABILITIES

	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**181,688**	242,553	472,243	415,978	307,795
Total liabilities	**(127,791)**	(138,717)	(123,458)	(343,510)	(237,872)
	53,897	103,836	348,785	72,468	69,923
Equity attributable to owners of the Company	**50,839**	99,453	342,899	72,468	69,923
Non-controlling interests	**3,058**	4,383	5,886	–	–
	53,897	103,836	348,785	72,468	69,923