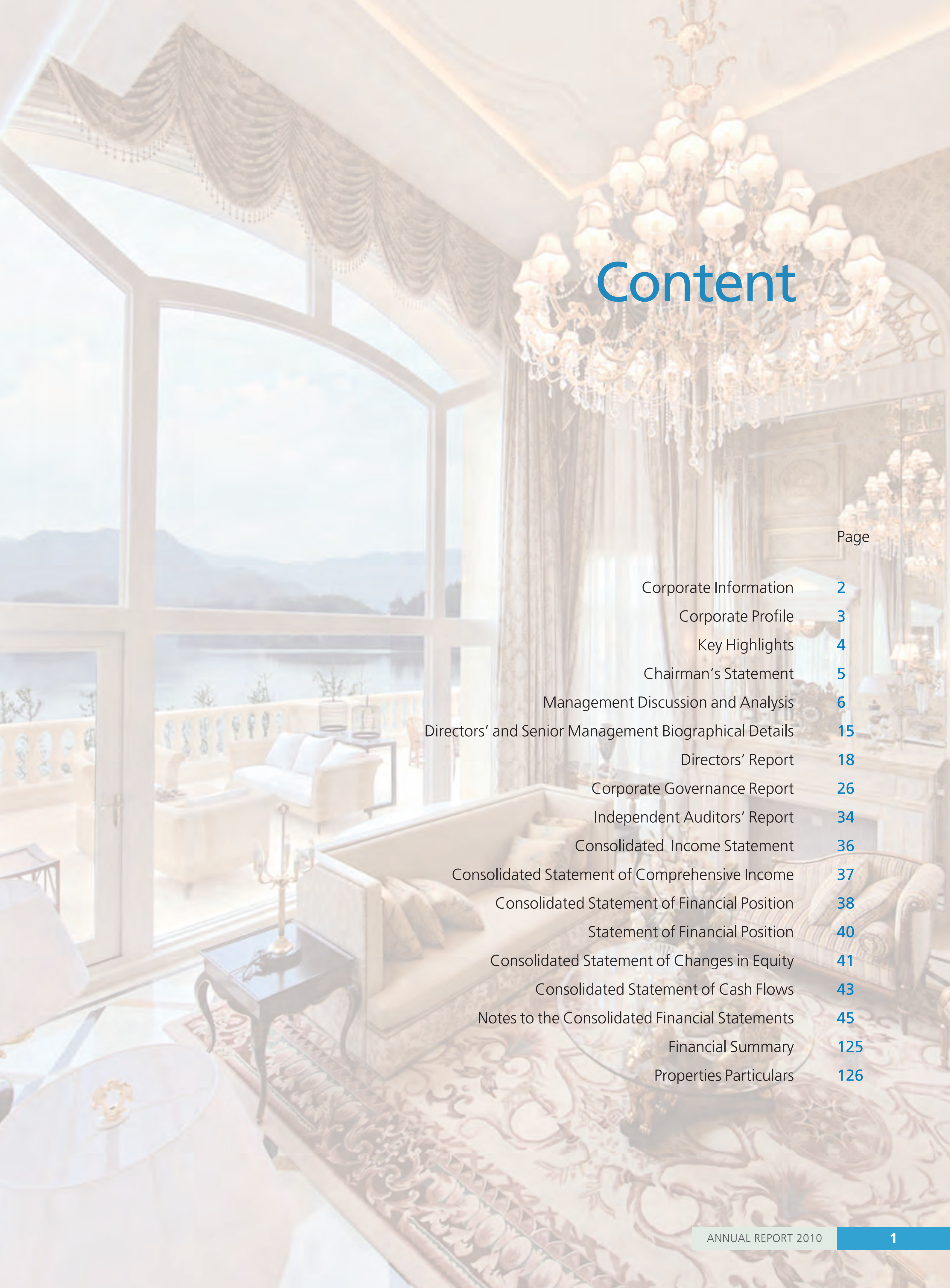
Annual Report 2010

中國水務地產集團有限公司
CHINA WATER PROPERTY GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 2349)



Content

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Wang Wenxia
(Vice Chairman and Chief Executive Officer)
Mr. Ren Qian
Mr. But Ka Wai *(Chairman)*
(resigned on 25 October 2010)
Mr. But Chai Tong *(Vice Chairman)*
(resigned on 28 June 2010)
Mr. Sun Zhen Yu *(resigned on 25 June 2010)*

Non-executive Directors

Mr. Duan Chuan Liang *(Chairman)* [1]
Mr. Zhou Kun

Independent non-executive Directors

Mr. Chan Pok Hiu [2]
Mr. Wong Chi Ming [2]
Mr. Wang Jian [3]
Mr. Tam Pei Qiang *(resigned on 28 June 2010)*
Ms. Li Ling *(resigned on 16 August 2010)*
Mr. Chen Ziqiang *(resigned on 21 April 2011)*

(1) appointed on 25 October 2010
(2) appointed on 16 August 2010
(3) appointed on 21 April 2011

AUDIT COMMITTEE

Mr. Wong Chi Ming *(Committee Chairman)*
Mr. Chan Pok Hiu
Mr. Wang Jian[3]

REMUNERATION COMMITTEE

Mr. Wang Jian *(Committee Chairman)*[3]
Mr. Chan Pok Hiu
Mr. Wong Chi Ming

COMPANY SECRETARY

Mr. Li Chi Chung[3]
Mr. Chong Ching Hei *(resigned on 31 March 2011)*

AUTHORISED REPRESENTATIVES

Ms. Wang Wenxia
Mr. Duan Chuan Liang *(appointed on 31 March 2011)*
Mr. Chong Ching Hei *(resigned on 31 March 2011)*

AUDITORS

Messrs. HLM & Co.
Certified Public Accountants

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P. O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL BANKERS

Chiyu Banking Corporation Limited
No. 78 Des Voeux Road Central, Hong Kong

DBS Bank (Hong Kong) Limited
16th Floor, The Center,
99 Queen's Road Central, Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
Level 10, HSBC Main Building,
1 Queen's Road Central, Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 6208, 62nd Floor,
Central Plaza,
18 Harbour Road,
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Trustee (Cayman) Limited
P.O. Box 484, HSBC House,
68 West Bay Road,
Grand Cayman, KY1-1106,
Cayman Islands

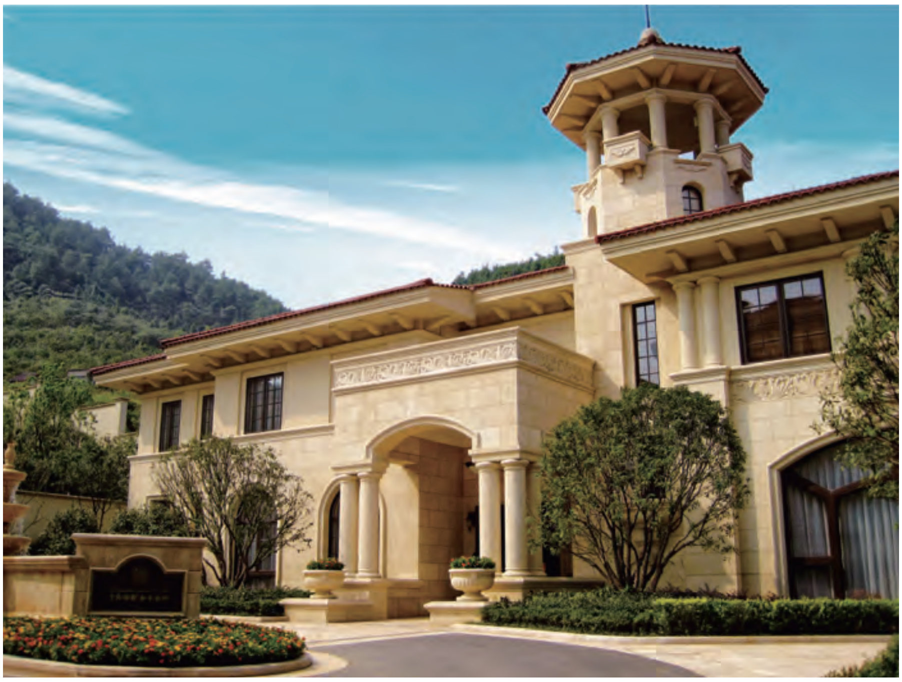
HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26th Floor, Tesbury Centre,
28 Queen's Road East,
Hong Kong

WEBSITE

www.waterpropertygroup.com

CORPORATE PROFILE



China Water Property Group Limited ("Group" or "CWP") owns a diverse property portfolio largely in the provincial cities along the Yangtze River comprising residential properties, office buildings, shopping malls and hotel.

Outside the Yangtze River area, CWP plans to develop urban renewal project in Huadu District in Guangzhou City, Guangdong.

Two of CWP's subsidiaries namely Wuhan Shen Mao Ye Retail Investment and Management Limited# and Wuhan Mao Ye International Hotel Management Limited# are providing retail management services and hotel management services respectively.

CWP's strength is reflected through its premium assets centered in the provincial cities along the Yangtze River, one of the largest integrated economic hubs in the PRC.

CWP, with its niche marketing synonymous with quality properties in prime and strategic locations, will continue to grow its earnings potential by building on the strength of its premium assets, maintaining high standards in its operational performance and exploring prospects for sustainable progress.

For identification purpose only

KEY HIGHLIGHTS

1

Raised about HK$202 million by top-up placing in April 2010.

2

Completed the acquisition of a property project with a prime area of approximately 44,000 square meters in Qiandao Lake of Hangzhou City, Zhejiang Province in June 2010.

3

Acquired a property project in Yuhang District in Hangzhou City, Zhejiang Province in June 2010. The project situated at the prime location between the terminal of Hangzhou Metro Line 1 and station of Shanghai-Hangzhou High-Speed Railway, with a gross floor area ("GFA") of approximately 116,000 square meters.

4

Acquired a property project located at a prime site of Wu Luo Road in Wuhan City in July 2010. The project is in the vicinity of our Future City Project with total gross floor area of approximately 45,000 square meters.

5

Mr. Duan Chuan Liang designated to succeed the Chairman of CWP in October 2010. Mr. Duan is currently the Chairman of China Water Affairs Group Limited (Stock Code: 855) with an extensive entrepreneurship experience. Under his leadership, he will continue CWP's success together with the Board and the senior management team.

6

Completed Seabuckthorn Business restructuring on schedule in September 2010 and provided CWP with resources to focus its core property development business.

7

Entered into an agreement to acquire a property project with a gross floor area of approximately 107,000 square meters in Wuhan Economic and Technological Development Zone of Wuhan City, Hubei Province in early of 2011.

8

Set the stage for an urban renewal project in Guangzhou City in 2011, by transforming its existing industrial factories into residential units with an estimated gross floor area of approximately 110,000 square meters.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the results of CWP and its subsidiaries for the year ended 31 December 2010.

In 2010, CWP reported a consolidated profit attributable to the shareholders of the Company of HK$510 million. The results demonstrate the fundamental strength of CWP's long-term strategy, which has enabled it to return to profit, despite ongoing market challenges.

Despite the market challenges, 2010 was a successful year for CWP's property development business segment. Throughout the year, CWP also replenished its portfolio with targeted acquisitions in key growth markets in Wuhan and Hangzhou. In early of 2011, CWP also owns the property project in the Wuhan Economic and Technological Development Zone in Wuhan City where the Group is releasing a series of commercial and office buildings.

There have been dramatic changes in the property market in the PRC over the course of the financial year, with the re-emergence of confidence translating into a sound level of activity after a series of the policies reform in moderating the furious rise in the prices of assets by the Central Government. CWP still remains very cautious about market conditions and will adopt a conservative approach to the strategic replenishment and delivery of our portfolio in the year ahead. This approach is designed to deliver long-term, sustainable value to shareholders.

CWP has completed the disposal of the health products business during the year. The remaining other business which is still underperforming over past few years will be in for restructuring. The Group expects to finalise the restructuring shortly, making the completion of our strategy changes.

Despite the market challenges, the 2010 financial year was ultimately a period of success and achievement for CWP Group. After navigating the impacts of the global financial crisis, CWP was able to focus its efforts on the strategic replenishment and delivery of its residential portfolio to return the Group to a profit within 12 months. This result also validates the strict capital management initiatives which have been implemented over last year. The Group now enters the new financial year with a strong balance sheet and modest gearing, although with the same level of caution and conservatism that has served us well during the recent economic volatility.

I would like to thank and acknowledge the efforts of the Board and senior management for their leadership and direction. Once again, their depth of experience and capital management expertise have steered a steady course through turbulent waters. I would also like to take this opportunity to recognise the outstanding efforts of our staff who, through their hard work, innovation and dedication, are helping us deliver our vision for the Group.

To our shareholders, I thank you for your loyalty and patience as we continue to focus on our strategy to deliver long-term and sustainable value. While these remain challenging times, we believe there remains great opportunity.

Duan Chuan Liang
Chairman

Hong Kong, 28 March 2011

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a rapid growing property developer of quality integrated residential properties and premium commercial properties in prime location in the provincial cities and also the second-to-third tier cities along the Yangtze River. At present, the Group is predominately focused on Wuhan, Hangzhou and other fast-growing cities in the PRC. The Group is maintaining a well-diversified portfolio encompasses property projects in these regions at various stages of development with a variety of property types of residential apartment, office building, hotel, villa and commercial property.

RESULT SUMMARY

The consolidated turnover of the Group from continuing operations increased more than fourteen-fold to HK$991 million for the year ended 31 December 2010 from HK$66 million for the year ended 31 December 2009. The revenue from sales of residential properties, which represented HK$927 million and principally derived from sales of Future City and Qiandao Lake Villa, have accounted for the substantial majority of turnover this year. The Group recorded sold GFA of 80,368 square meters in the year and an average selling price of HK$11,531.

The overall gross profit increased by 2,875% to HK$476 million in 2010 from HK$16 million in 2009, while the gross profit margin were well ahead of last year, increased from 25% to 48%. The Group also had fair value gains on investment properties of HK$478 million for the year ended 31 December 2010 which represented the fair value changes of Wuhan Future City shopping mall after its completion of the construction this year.

The revenue from other business segment decreased by 2.3% from HK$65.6 million in 2009 to HK$64.1 million this year. It contributed an operating loss of HK$9.7 million despite the continued focuses on aligning operations and resources to meet an increasingly competitive over the year. The result from discontinued operation reflected the net loss of HK$10.8 million from the health products business operation along with the gain arising on the disposal of HK$3.5 million.

The profit attributable to the owners of the Company was HK$509.5 million for the year ended 31 December 2010 as compared with the loss of HK$316.3 million in 2009. Basic earnings per share attributable to the equity holders of the Company increased to HK4.66 cents compared with a loss per share of HK 7.73 cents in 2009. The Board does not propose any final dividend for the year ended 31 December 2010.

BUSINESS REVIEW

The PRC Property Development Business

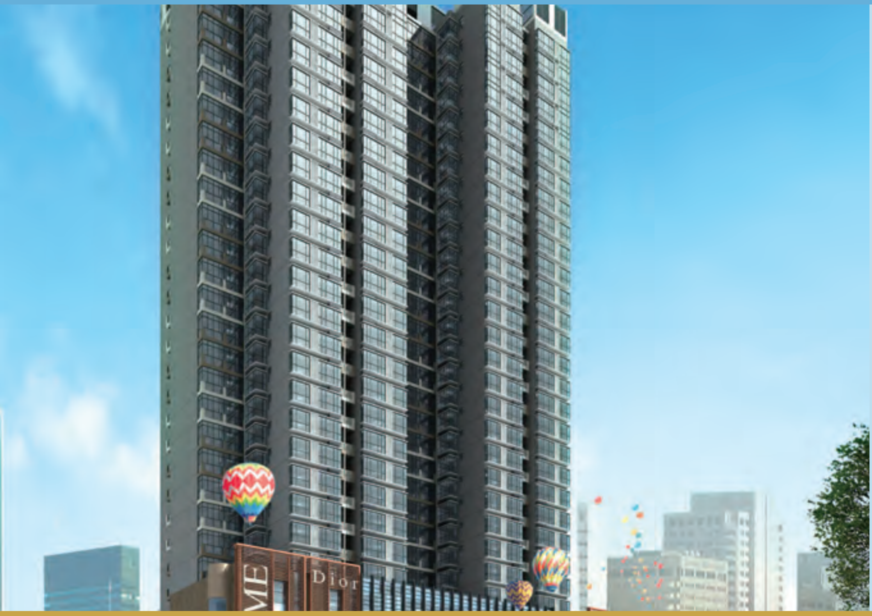
The Central Government has exerted different influence on the growth and development of the PRC property market by means of industry policies and other administrative measures so as to achieve property price corrections and even out the factors that sustainable economic growth entails. Although the introduced measures and corrections were taking place during the year, the GDP of the PRC was impressively well ahead of last year and the overall property prices surged. The corrections at the first tier cities are more pronounced than the second-to-third tier cities in terms of volumes and prices.

During the year, the Group acquired its second property project in Wuhan City and also two premium projects in Hangzhou City. In early of 2011, the Group also secured another predominate property project in Wuhan Economic & Technological Development Zone ("WEDZ") and applied for urban-renewal project in Guangzhou City by transforming the Group's existing industrial factories into residential properties. With these latest acquisitions and development, the Group has expanded the land bank in strategic locations in provincial cities along the Yangtze River and Pearl River Delta.

Wuhan City, Hubei *Future City*

Future City is a large-scale integrated composite development located at Luo Shi Road South within close proximity to the Luoyu Road shopping belt and the upcoming stations of metro line No. 2 and 7. Future City is situated in the heart of business and commercial centre of Hongshan District in Wuhan City, convenient to East Lake, Wuhan University and other landmarks in the neighborhood. Future City covers a total site area of 22,313 square meters with a total GFA of approximately 145,273 square meters and comprises of five high-rise residential towers, a four-storey premier shopping centre and parking spaces.

Wuhan City, Hubei *Future Mansion*



Future Mansion is located at a prime location at Wuluo Road in Hongshan District in Wuhan City, just 600 meters from Future City project. It has a total site area of 5,852 square meters and will be developed for a composite building of residential apartments and retail shops with a GFA of approximately 44,537 square meters. Of the total planned GFA, approximately 29,676 square meters will be residential units, approximately 11,888 square meters will be retail space and approximately 2,973 square meters will be parking spaces.

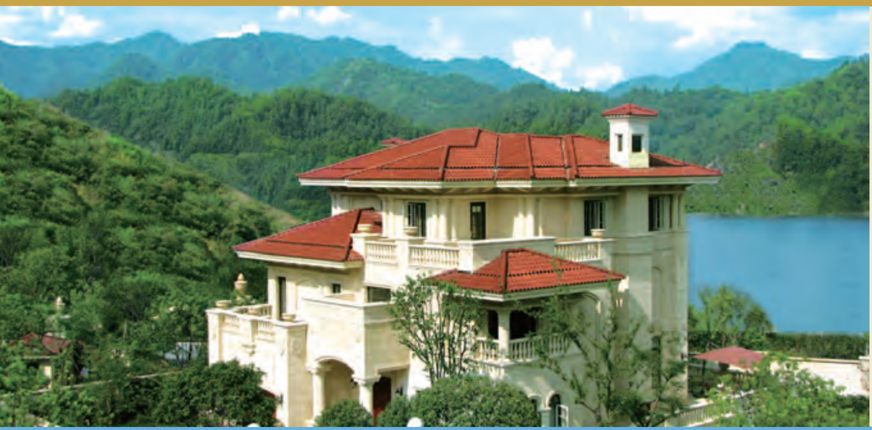
Wuhan City, Hubei *WEDZ Future City*

WEDZ Future City is strategically situated in the prime location between the Wangjiawan business area and national level Wuhan Economic & Technological Development Zone, delineated in the western Wuhan Middle Ring Road, next to the Hanyang bus terminal and adjacent to Longyang Avenue. The project has a site area of 30,625 square meters is atop the Longyang Station of metro line No.3 which is currently under construction. This integrated complex will be developed for splendorous shopping mall and luxurious office apartments with planned GFA of approximately 91,872 square meters.

Hangzhou City, Zhejiang *Mei Lai International Centre*

Mei Lai International Centre is strategically located in Yuhang District, which is designated as part of the new Central Business Centre of Hangzhou City, delineated in the southern of intersection of Yingbin Road, Wengmei Road and Nanyuan Street. The integrated complex occupies a total site area of 16,448 square meters and is adjacent to the south station of Shanghai-Hangzhou High-speed Railway and also the terminal of Hangzhou metro line No.1. Of the total planned GFA of approximately 116,222 square meters, the development comprises of grade-A office block with work loft setting and two high-rise premium apartment towers and a comprehensive commercial complex.

Hangzhou City, Zhejiang *Qiandao Lake Villa*



This development occupies a site area of approximately 33,493 square meters in Qiandao Lake in Hangzhou City. It is a low-density lakefront precinct with 26 detached villas featuring luxurious settings, inclusive of lift, garage, swimming pool, yards and complemented by a full-facility clubhouse. The location enjoys spectacular unobstructed lake view and conveniently accessible to Hangzhou City, Shanghai and Mount Huang by either High-speed Railway or expressway. The project will be completed in three phases.

Guangzhou, Guangdong *Huadu Project*

This will be an urban-renewal project in Huadu in Guangzhou City by transforming the Group's existing industrial factories into residential properties. The location abuts to local government office and prime administration centre of Huadu, enjoying supreme transportation network. The site occupies an area of approximately 28,478 square meters with total planned GFA of approximately 110,000 square meters. It will be developed into high-rise residential units and low-density townhouse. The Group will proceed to take part in government-organised action process following the approval from local land bureau.

During the year under review, the property development business segment presold 86,248 square meters of properties with a total contracted sales amount of approximately HK$1,081 million at an overall average selling price of HK$12,536. The details of contracted sales by project were as follows:

Project	**Location**	**Property type**	**Contracted sales GFA**	**Contracted sales amount**	**Interest attributable to the Group**
			Square meters	HK$'000	%
Future City	Wuhan	Residential	83,401	948,367	100%
Qiandao Lake Villa — Phase I	Hangzhou	Villa	2,847	132,875	60%
Total			86,248	1,081,242	

The development of Future City and Qiandao Lake Villa Phase I has been completed during this year with a total GFA of around 150,706 square meters. The Group had inventories of properties of HK$958 million as at 31 December 2010.

Across all fast-growing cities in which the Group has close rapport with these local governments there are a range of infrastructure programs associated with urban housing plans that may provide for the strategic cooperation at every opportunity. The Group had planned on developing of housing project with the respective local governments of Nanchang City and Changsha City since last year. As the current urban infrastructure strategies in respective regions were programmed for changing and reforming, the Group has taken the decision not to commence during the year. However, the Group has continued to advance the cooperative strategies on these development opportunities in order to be in a position to realise when the viable and visible propositions exist.

Other Business

Packaged Food and Convenience Frozen Food Products

The food products segment offers a wide variety of quality snack products in unique asian flavours under the brand of "Wah Yuen" with which has over 50 years of brand building in Hong Kong and also "Rocco" and "采楓" brands in the PRC. The segment operates three production plants, which are located in Hong Kong and Huadu district of Guangzhou City.

Total revenue of food products segment was HK$64.1 million which had been maintained at level close to last year. The gross profit margin remained under pressure at a rate of 26%, though the Group had continued to align operations and resources to meet an increasingly competitive in its food products business environment during the year. Despite these continued focuses, the visibility in terms of capability for turnaround and competency for growth of food products business segment in the near future remains poor with a segment loss of HK$8.8 million in this year. The Group will continue to take cautious view with its negative results and may consider critically the advantages in restructuring.

Seabuckthorn and Related Healthcare Products

Given the consistent efforts to return the seabuckthorn-related business to profitability in vain, the Group had concluded that it is not easy to improve its performance or reduce the operating loss in the foreseeable future. The Group had taken place the restructuring to dispose of the seabuckthorn-related business during the year. The disposal was completed in September 2010 and therefore its operating results has been classified as discontinued for both the current and prior period. The gain on disposal of the business of HK$3.5 million and the operating results of that business segment prior to disposal has resulted in a loss from discontinued operations in the income statement of HK$10.8 million.

FINANCIAL REVIEW

Turnover

The Group's turnover increased by fourteen-fold from HK$66 million in 2009 to HK$991 million in 2010. The growth in sales was primarily due to an increase in revenue from sales of residential properties of HK$927 million. The total saleable GFA sold and recognised was 80,368 square meters which is attributable primarily to Future City and Qiandao Lake Villa. The revenue of other business segment was HK$64.1 million which had been maintained at level close to last year.

Cost of Sales

The cost of sales increased to HK$515 million in 2010 from HK$49 million in 2009, primarily due to an increase in total saleable GFA sold and recognised in 2010. The cost of properties sold included development costs, land costs and borrowing costs. The cost of sales of other business segment was HK$47.4 million which had been maintained at level close to the previous year.

Gross Profit and Gross Profit Margin

The gross profit increased by HK$460 million from HK$16 million in 2009 to HK$476 million in 2010. The Group has a gross profit margin of 48% in 2010, as compared with 25% in the previous year. The increase in the gross profit margin was primarily a result of the sales of residential properties in this year being largely from projects with high profit margins.

Other Operating Income

Other operating income decreased by 9.3% to HK$3.4 million in 2010 from HK$3.7 million in 2009. This decrease was primarily due to an decrease in exchange gain during 2010.

Fair Value Gain in respect of Investment Properties transferred from Inventories of Properties

There was a gain of HK$478 million in 2010 arising from change in fair value of completed investment properties of Future City.

Selling and Distribution Expenses

The selling and distribution expenses increased by 330% to HK$74.8 million in 2010 from HK$17.4 million in 2009, primarily due to a significant increase in promotion expenses and sales commissions arising from Future City and Qiandao Lake Villa projects.

Administrative Expenses

The administrative expenses increased by 67% to HK$79.8 million in 2010 from HK$47.7 million in 2009, primarily due to higher staff costs and office expenses as a result of the increased number of projects under development during the year.

Finance Costs

The finance costs decreased by 34% to HK$22.9 million in 2010 from HK$34.8 million in 2009. This was mainly due to the decrease of interest on convertible notes as a result of the redemptions. As the Group embarked on the development of Future City and Qiandao Lake Villa during the year, the Group attributed the finance costs of HK$38.2 million from relevant bank borrowings taken for these projects as capitalized costs, which formed a part of costs of properties under development.

Impairment Charges

There was no charges for the year ended 31 December 2010 after the comprehensive review of carrying values of assets towards the Group's other business segment.

Income Tax

The Group had an income tax expense of HK$265.8 million in 2010, as compared with an income tax credit of HK$3.2 million in 2009. The increase was primarily attributable to increases in our sales of residential properties, profit from the properties sold and fair value gain in investment properties, which contributed to an increase in our provision for enterprise income tax, land appreciation tax and deferred tax expenses.

Discontinued Operation

The Group had disposed of its health products business operation this year. The result from discontinued operation reflected the net loss of HK$10.8 million from the health products business operation along with the gain arising on the disposal of HK$3.5 million.

Profit (Loss) Attributable to Owners of the Company

The profit attributable to owners of the Company for the year was HK$509.5 million, as compared with a loss of HK$316.3 million of the previous year.

FINANCIAL POSITION

The Group has strengthened its financial position by completing the placement to raise about HK$202 million during the year.

Total bank deposits and cash of the Group amounted to HK$273.6 million as at 31 December 2010. The Group's net debt was decreased by HK$130 million to HK$254 million, which was made up of HK$528 million in debts and HK$274 million in bank deposits and cash. The total debts as at 31 December 2010 included short-term borrowings of HK$172 million, long-term borrowings of HK$294 million and liability component of convertible notes of HK$62 million. The Group's bank borrowings bear floating rate and were primarily denominated in Hong Kong dollar and Renminbi. The Renminbi borrowings were principally used to fund the Group's property development in the PRC.

The total assets of the Group increased by HK$1.7 billion, or 155%, from HK$1.1 billion in 2009 to HK$2.8 billion in 2010. The Group had net current assets of HK$622.4 million, consisting of HK$1,467.5 million of current assets and HK$845.1 million of current liabilities. The net current assets increased by HK$431.2 million from the net current assets of HK$191.3 million as at 31 December 2009.

As at 31 December 2010, the Group's shareholders' equity increased by 373% from HK$252.7 million to HK$1,195.2 million and the ratio of net debt to total equity was 21%, against 152% in prior year.

FUTURE PLANS AND PROSPECTS

The stable property prices and sustainable economic growth will be determining factors in the choice of the extent to which the Central Government adopts administrative measures or incentives, in turn, lead to influence how urbanisation playing out in the years ahead. The Group is confident about the Central Government can ensure its stature as a balanced growing and developing economic power that is following a sustainable path toward long term prosperity.

With the scale and pace of urbanisations, especially in the second-to-third tier cities continued at an unprecedented rate, the underlying demand for housing will be very strong for many years to come. These urbanising regions, coupled with their robust patterns of population and economic outcomes, will offer compelling upside over the next few years and are expected to be strongest growth market of the Group.

The Group possessed a portfolio of predominately integrated commercial properties development projects in prime locations in these urbanising regions, in particular in the provinces such as Hubei and Zhejiang. The Group will design and make better use of locations of these premium integrated commercial properties so as to further enhance their value and become the focal point for the local community. These strategies will make to put the Group in a stronger position to deliver on the business objective.

The Group is forging ahead with its plans for expansion and focusing its quest to continuously grow the business and provide respectable returns for shareholders over the long term.

EXPOSURE TO FLUCTUATION IN FOREIGN EXCHANGE AND INTEREST RATE

The Group principally operates the property development business in the PRC and most of the transactions are settled in Renminbi. The conversion of Renminbi into foreign currencies or Hong Kong dollars is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. The usual treasury policy of the Group is to manage significant currency exposure and minimize currency risk whenever it may have material impact on the Group. The Group did not engage in hedging activities designed or intended to manage currency risk during the year ended 31 December 2010.

The Group is exposed to interest rate risks, primarily related to the bank borrowings with floating interest rates as at 31 December 2010. The Group undertook primarily debt obligations to support its property development and general working capital needs. The fluctuations in interest rates affect the cost of financing and may lead to fluctuations in the fair value of the debt obligations of the Group. The results of the Group are also affected by changes in interest rates due to the impact such changes have on interest income from the bank deposits.

ACQUISITION OF SUBSIDIARIES

(i) On 1 April 2010, China Water Real Property Limited, a wholly owned subsidiary of the Company, entered into the agreement to acquire 60% of the entire equity interest of 杭州普天房地產開發有限公司 (Hangzhou Pu Tian Property Development Co., Ltd.), a PRC company principally engaging in a property development project in Hangzhou City, the PRC. The transaction had been completed in June 2010. The total consideration for the transaction was approximately HK$170.5 million (equivalent to RMB150 million) being settled by way of cash of HK$85.2 million (equivalent to RMB75 million) and issue of 437,811,333 new shares of the Company at an issue price of HK$0.146 upon the completion and issue of 145,937,111 new shares of the Company to be settled six months after the completion. The aggregate consideration has been settled during the year.

(ii) On 15 May 2010, 水務地產湖北有限公司, a wholly owned subsidiary of the Group, entered into the agreement to acquire 100% of the entire equity interest of 武漢凱越房地產開發有限公司 (Wuhan Kai Yue Property Development Co., Ltd.), a PRC company principally engaging in a property development project in Wuhan City, the PRC. The transaction had been completed in July 2010. The total consideration for the transaction was approximately HK$56.8 million (equivalent to RMB50 million) being fully settled by way of cash.

(iii) On 21 May 2010, China Water Property (Hong Kong) Development Limited, a wholly owned subsidiary of the Group, entered into the agreement to acquire 60% of the entire issued share capital of HK Mei Lai International (Canada) Limited, a Hong Kong incorporated company principally engaging in investment holding of a project company in Hangzhou City, the PRC. The transaction has been completed in June 2010. The total consideration for the transaction was approximately HK$98.9 million (equivalent to RMB87 million) being settled by way of cash of HK$20.5 million (equivalent to RMB18 million) and issue of 392,045,454 new shares of the Company at an issue price of HK$0.15 upon the completion and issue of 130,681,818 new shares of the Company to be settled six months after the completion. The aggregate consideration has been settled during the year.

PLEDGE OF ASSETS

As at 31 December 2010, certain bank deposits, property, plant and equipment and prepaid lease payments with an aggregate carrying amount of approximately HK$352 million were pledged as security for certain banking facilities granted to the Group.

CONTINGENT LIABILITIES AND COMMITMENTS

As at 31 December 2010, the Group had capital commitments in connection with the property development activities amounted to HK$161 million, primarily related to construction costs on projects under development and expenditures related to future property developments and investments.

As at 31 December 2010, the Group had provided guarantees to banks for loans of approximately HK$392 million in respect of the mortgage loans provided by the banks to purchasers of the properties the Group developed and sold. The guarantees are issued from the dates of grant of the relevant mortgage loans and released upon issuance of property ownership certificates.

EVENTS AFTER THE END OF REPORTING YEAR

On 6 January 2011, 水務地產湖北有限公司, a wholly owned subsidiary of the Company, entered into the agreement to acquire 100% of the entire equity interest of 武漢市中南汽車配件配套有限責任公司, a PRC company principally holding the land use right in Wuhan Economic and Technological Development Zone, the PRC, at the consideration of RMB105 million. The legal procedure of the equity transfer is in progress and therefore the consideration paid by the Group during the year classified as deposit paid for acquisition of a subsidiary in the consolidated statement of financial position at 31 December 2010.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2010, the total number of employees stood at approximately 344. Total staff costs for the year under review were approximately HK$53 million. The Group offers its workforce comprehensive remuneration and employees' benefits packages.

DIRECTORS' AND SENIOR MANAGEMENT BIOGRAPHICAL DETAILS

MR. DUAN CHUAN LIANG ("MR. DUAN")

Chairman and non-executive Director

Mr. Duan, aged 47, is the Chairman of the Company and a non-executive Director. Mr. Duan was graduated from the North China College of Water Conservancy and Hydro Power with a bachelor degree, major in irrigation and water conservancy works. Mr. Duan had been working for the Ministry of Water Resources of the People's Republic of China (the "PRC") Government for more than 10 years. Mr. Duan has approximately 20 years experience in water conservancy management, real estate development experience.

Mr. Duan is the chairman and the executive director of China Water Affairs Group Limited ("China Water Affairs") (Stock Code: 855), a company listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and a director of numerous enterprises in the PRC. As at 31 December 2010, China Water Affairs holds 3,598,015,504 issued Shares of the Company (each a "Share"), representing approximately 28.75% of the total issued share capital of the Company. Mr. Duan was appointed as the Chairman and non-executive Director of the Company on 25 October 2010.

MS. WANG WENXIA ("MS. WANG")

Vice Chairman, Executive Director and Chief Executive Officer

Ms. Wang, aged 51, is the Vice Chairman, an executive Director and chief executive officer (the "CEO") of the Company. Ms. Wang was responsible for the overall strategic development, making decisions for investment projects and determining the direction of development of the Group. Ms. Wang holds a master degree in finance from Dongbei University of Finance and Economics. Ms. Wang currently holds senior management positions in various unlisted companies incorporated in the PRC. Ms. Wang has active experience at the management level in structured finance for nearly 20 years, including investment, merger and acquisition, asset management services. Ms. Wang also has management experience spanning various industries including real estate, mining, mineral processing, import and export etc.

Ms. Wang was the chairman, the executive director and the chief executive officer of China Financial International Investments Limited (formerly known as Prime Investments Holdings Limited) (Stock Code: 721), a company listed on the main board of the Stock Exchange during the past three year until her resignation on 17 January 2011.

MR. REN QIAN ("MR. REN")

Executive Director

Mr. Ren, aged 50, was responsible for strategic development and properties management of the Group. Mr. Ren graduated from the North China University of Water Conservancy and Electronic Power majoring in Agricultural Water (農水系) in 1983 and obtained a Master of Business Administration from the Beijing Normal University in 2001. He has nearly 31 years of experience in the water resources management industry, the housing and urban-rural development industry and the real estate industry in the PRC. Mr. Ren was the secretary of the office minister of The Ministry of Water Resources of the PRC and The Ministry of Housing and Urban-Rural Development of the PRC respectively. Mr. Ren was also the deputy mayor of The People's Government of Hebei Province, Langfang City and the deputy general manager of The Housing and Urban-Rural Development Huatong Real Estate Limited# (建設部華通置業有限公司). Prior to joining the Group, Mr. Ren was the senior advisor of the board chairman of Beijing Yinghe Real Property Company# (北京盈和房地產公司).

MR. ZHOU KUN ("MR. ZHOU")

Non-executive Director

Mr. Zhou, aged 43, graduated from the Xian Institute of Industry# (西安輕工學院) majoring in fine arts technology in 1987. He has over 21 years of experience in media, advertising and real estate industry in Shenzhen of the PRC. Mr. Zhou was the art director of Shenzhen Legal System Newspaper# (深圳法制報) and the general manager of Shenzhen Xinli Chuanren Advertising Limited# (深圳市信立傳人廣告有限公司).

MR. CHEN ZIQIANG ("MR. CHEN")

Independent non-executive Director

Mr. Chen, aged 64, a professor-level senior engineer, is the chairman of Jianghe Water Development Center Company Limited (江河水利開發中心有限責任公司). After graduated from the North China University of Water Conservancy and Electric Power (華北水利水電學院), Mr. Chen had served as the University's Secretary of Youth League Committee for 22 years. Mr. Chen is very enthusiastic to the development of water resources; he served as vice president and monitor of Department of Personnel, Labor and Education of the Ministry of Water Resources of the PRC, vice president of the Chinese Association of Education of Water Resources (中國水利教育協會), vice president of the Chinese Society on Ideological and Political Work for Water Sector (中國水利思想政治研究會), and the Member of Professional Certification Committee of the Ministry of Education (教育部工程專業認證專家委員會). Mr. Chen has resigned as an independent non-executive Director of the Company with effect from 21 April 2011.

MR. CHAN POK HIU ("MR. CHAN")

Independent non-executive Director

Mr. Chan, aged 43, is a seasoned investment banker with more than 17 years of proven track record. He has held many senior positions in various renowned international banks. While he has mainly focused his efforts on PRC deal making in recent years, he has accumulated vast experience in back office support, business management and risk control functions.

Mr. Chan has spent the last 6 years with Standard Bank Group. As a core member of Asia Originations Team at Standard Bank Asia Limited, Mr. Chan is responsible for originate, structure and distribute deals which cover product areas such as Investment Banking (i.e. lending), Global Markets (i.e. equities derivatives), Resource Banking (i.e. mining project financing) and Private Equities.

Before joining Standard Bank, Mr. Chan had been the operations director and alternate chief executive for Fleet National Bank, Hong Kong Branch (now part of Bank of America), responsible for the overall policy-making, direction, co-ordination, planning and control of the Branch. Previously, Mr. Chan had been with Merrill Lynch (Asia Pacific) Limited, responsible for supporting the Equities Derivatives area. Prior to Merrill Lynch, he had been with UBS as an analyst. Mr. Chan started his professional career at Chase Manhattan Bank headquarters in New York, acting as internal auditor.

Mr. Chan holds a BBA and a MBA degree from Baruch College of City University of New York. Mr. Chan was appointed as the independent non-executive Director of the Company on 16 August 2010.

MR. WONG CHI MING ("MR. WONG")

Independent non-executive Director

Mr. Wong, aged 34, graduated from the Hong Kong Polytechnic University with a Bachelor of Arts Degree in Accountancy. He has over 10 years of extensive experience in the fields of audit, accounting, taxation and corporate finance. He is a member of the Hong Kong Institute of Certified Public Accountants. He is currently a practicing director of a Hong Kong based medium size certified public accountants firm. Mr. Wong was appointed as the independent non-executive Director of the Company on 16 August 2010.

MR. WANG JIAN ("MR. WANG")

Independent non-executive Director

Mr. Wang, aged 40, graduated from the Jiangsu Yangzhou University with a bachelor degree in economics in 1992. Mr. Wang is currently the vice general manager of Shenzhen Zhong Ke Zhi Investment Guarantee Company Limited# (深圳中科智投資擔保有限公司). He was credit management of ICBC Yangzhou Branch, the vice president of Yangzhou Property Hua Li Company Limited# (揚州華利房地產集團有限公司), the general manager of Beijing Hua Ding Times Investments Company Limited# (北京華鼎時代投資有限公司) and chairman assistant of Shenzhen Hua Rong Investment Guarantee Company Limited# (深圳市華融擔保投資有限公司). He has 20 years of extensive experience in the fields of financial management, corporate finance, capital management, property development project financing and operational management. Mr. Wang was appointed as the independent non-executive Director of the Company on 21 April 2011.

The English translation of Chinese names or words in this Biography is included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.

DIRECTORS' REPORT

The Directors of the Company (each a "Director") present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 47 to the consolidated financial statements. The Group has discontinued the business of cultivation and sale of seabuckthorn seedlings, manufacture and sale of seabuckthorn related products during the year.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 December 2010 are set out in the consolidated income statement on page 36.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2010.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 125 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements, respectively. Further details of the Group's major properties are set out on page 126.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 34 to the consolidated financial statements.

CONVERTIBLE NOTES

Details of the movements in convertible notes during the year are disclosed in note 33 to the consolidated financial statements.

RESERVES

Details of the movements in reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity from pages 41 to 42 and note 36 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

Distributable reserves of the Company is HK$454.7 million as at 31 December 2010, which comply with the Cayman Companies Law.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association (the "Articles of Association", each a "Articles"), or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, SALE OF REDEMPTION OF THE COMPANY'S SHARES

Except the share placement by the Company in April 2010, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's ordinary shares during the financial year ended 31 December 2010.

DIRECTORS

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

Executive Directors:

Ms. Wang Wenxia *(Vice Chairman and Chief Executive Officer)*	
Mr. Ren Qian	
Mr. But Ka Wai *(Chairman)*	(resigned on 25 October 2010)
Mr. But Chai Tong *(Vice Chairman)*	(resigned on 28 June 2010)
Mr. Sun Zhen Yu	(resigned on 25 June 2010)

Non-executive Directors:

Mr. Duan Chuan Liang *(Chairman)*	(appointed on 25 October 2010)
Mr. Zhou Kun	

Independent non-executive Directors:

Mr. Chan Pok Hiu	(appointed on 16 August 2010)
Mr. Wong Chi Ming	(appointed on 16 August 2010)
Mr. Wang Jian	(appointed on 21 April 2011)
Mr. Tam Pei Qiang	(resigned on 28 June 2010)
Ms. Li Ling	(resigned on 16 August 2010)
Mr. Chen Ziqiang	(resigned on 21 April 2011)

In accordance with Article 112, Mr. Duan Chuan Liang, Mr. Chan Pok Hiu, Mr. Wong Chi Ming and Mr. Wang Jian shall retire from office by rotation at the forthcoming annual general meeting (the "AGM"); whereas in accordance with Article 108, Mr. Zhou Kun shall retire from office by rotation at the AGM. Being eligible, each of Mr. Duan Chuan Liang and Mr. Zhou Kun will offer himself for re-election as non-executive Director; and each of Mr. Chan Pok Hiu, Mr. Wong Chi Ming and Mr. Wang Jian will offer himself for re-election as independent non-executive Director at the AGM.

DIRECTORS' SERVICE CONTRACT

Mr. Chan Pok Hiu, Mr. Wong Chi Ming and Mr. Wang Jian as the independent non-executive Directors who are proposed for re-election at the AGM have service contracts with the Company which are determinable by the Group within one year with payment of compensation, other than statutory compensation.

Ms. Wang Wenxia ("Ms. Wang") has been appointed as the chief executive officer ("CEO") of the Company with effect from 17 January 2011 and Ms. Wang has also entered into the service agreement with the Company on 17 January 2011. The term of the service agreement will be for three years commencing from the date of the service agreement subject to compliance with the relevant provisions of the Listing Rules.

Ms. Wang shall be entitled to a salary of HK$300,000 per month, with housing allowance of not more than HK$50,000 per month, together with discretionary management bonus and such share options which may be granted under the share option scheme adopted by the Company to be determined by the Board. Ms. Wang's emolument has been reviewed by the remuneration committee of the Company.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") from each of the independent non-executive Directors, namely Mr. Chen Ziqiang, Mr. Chan Pok Hiu, Mr. Wong Chi Ming and Mr. Wang Jian for the year ended 31 December 2010 and as at the date of this report, the Company still considers the independent non-executive Directors to be independent.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out from pages 15 to 17 of this annual report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2010, the interests and short positions of each Director and the chief executive of the Company in Shares, underlying shares and debentures of the Company and its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), as recorded in the register maintained by the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

(i) Long positions in shares as at 31 December 2010

Name of Director	Capacity	Number of ordinary shares	Total number of ordinary shares	Approximate percentage of shareholding
Ms. Wang Wenxia	Beneficial owner	8,796,000	8,796,000	0.070%
Mr. Ren Qian	Beneficial owner	1,860,000	1,860,000	0.015%

(ii) Long positions in underlying shares as at 31 December 2010

Name of Director	Capacity	Number of underlying shares	Approximate percentage of shareholding
Mr. Duan Chuan Liang	Beneficial owner	152,432,634 (Note a & b)	1.218%
Ms. Wang Wenxia	Beneficial owner	122,376,000 (Note b)	0.978%

Notes:

(a) These share options were granted on 25 March 2008 at an exercise price of HK$0.0529 per share of the Company with exercise period from 25 March 2008 to 24 March 2011.

(b) These share options were granted on 3 November 2010 at an exercise price of HK$0.1004 per share of the Company with exercise period from 3 November 2010 to 2 November 2020.

Save as disclosed above, as at 31 December 2010, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in shares, underlying shares or debentures of the Company or its associated corporations as recorded in the register required to be maintained under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

The following table discloses movements in the Company's share options during the year.

				Number of share options					
Category	Date of grant	Exercise price (HK$)	As at Exercise period	As at 1 January 2010	Granted during the year	Exercised during the year	Expired during the year	Lapsed during the year	As at 31 December 2010
Employees	18.07.2007	0.1378	18.07.2007 to 17.07.2010	60,113,268	—	—	(60,113,268)	—	—
	26.11.2007	0.1208	26.11.2007 to 25.11.2010	60,113,267	—	—	(38,071,736)	(22,041,531)	—
	14.12.2007	0.1118	14.12.2007 to 13.12.2010	20,037,756	—	—	(20,037,756)	—	—
	25.03.2008	0.0529	25.03.2008 to 24.03.2011	120,226,535	—	(10,018,878)	—	(36,067,960)	74,139,697
	03.11.2010	0.1004	03.11.2010 to 02.11.2020	—	284,752,000	—	—	—	284,752,000
Consultants	18.07.2007	0.1378	18.07.2007 to 17.07.2010	50,094,390	—	(50,094,390)	—	—	—
Total				**310,585,216**	**284,752,000**	**(60,113,268)**	**(118,222,760)**	**(58,109,491)**	**358,891,697**

Saved as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, chief executive of the Company or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Details of transactions during the year between the Group and the related parties or other companies in which the Directors had beneficial interest are set out in note 46 to the consolidated financial statements.

Saved as disclosed above, no contracts of significance in relation to the business of the Group to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 31 December 2010, the Company had been notified of the following substantial shareholders' interests and short positions in the shares and underlying shares of the Company, being 5% or more of the Company's issued share capital.

Long positions in the shares as at 31 December 2010

Name of substantial Shareholders	Note	Capacity / Nature of interest	Number of ordinary shares	Approximate percentage of shareholding (%)
China Water Affairs Group Limited	(1)	Beneficial owner and Interest of controlled corporation	3,598,015,504	28.751%
China Financial International Investments Limited		Interest of controlled corporation	763,562,216	6.102%
Atlantis Investment Management Limited		Investment manager	744,562,216	5.950%
Highest Growth Holdings Limited		Interest of controlled corporation	646,228,234	5.164%

Long positions in the underlying shares as at 31 December 2010

Name of substantial Shareholders	Note	Capacity / Nature of interest	Number of underlying shares	Approximate percentage of shareholding (%)
China Water Affairs Group Limited	(2)	Interest of controlled corporation	1,812,222,222	14.481%

Notes:

(1) These shares of the Company held by Sharp Profit Investments Limited ("Sharp Profit") and Good Outlook Investments Limited ("Good Outlook") which are wholly owned subsidiaries of China Water Affairs Group Limited ("China Water Affairs"). Therefore, China Water Affairs was deemed to be beneficially interested in the said shares of the Company held by Sharp Profit and Good Outlook for the purposes of the SFO.

(2) Convertible notes in the principal amount of HK$81,550,000 carrying the rights to subscribe for shares at conversion price of HK$0.045 per share was issued by the Company to Good Outlook on 13 November 2007 to satisfy part of the consideration of the acquisition of the entire issued share capital of China Environmental Water Holdings Limited. If the conversion rights attached to the convertible notes had been fully exercised, 1,812,222,222 shares would be issued at the conversion price of HK$0.045 per share. China Water Affairs is deemed to be interested in the said underlying shares by virtue of its wholly owned interest in Good Outlook.

Save as disclosed above, the Company has not been notified by any persons or corporations, other than the Directors or chief executives of the Company, who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of Part XV of the SFO as at 31 December 2010.

CONNECTED TRANSACTIONS

Details of the significant related party transactions undertaken by the Group during the year in the ordinary course of business are set out in note 46 to the consolidated financial statements. None of these related party transactions constitute a connected transaction as defined in the Listing Rules.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the Listing Rules. The audit committee comprises three independent non-executive Directors, namely Mr. Wong Chi Ming (chairman of the audit committee), Mr. Chen Ziqiang and Mr. Chan Pok Hiu.

The audit committee is satisfied with its review of the audit fees, the independence of the auditors and recommended to the Board the re-appointment of the Auditors in 2011 at the forthcoming annual general meeting. The audit committee is accountable to the Board and the primary duties of the audit committee include the review and supervision the Group's financial reporting process and internal controls.

The Group's annual results for the year ended 31 December 2010 have been reviewed by the audit committee, which was of the opinion that the preparation of such annual results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

MAJOR CUSTOMERS AND SUPPLIERS

The top five suppliers in aggregate and the single largest supplier of the Group accounted for approximately 11% and 31% for the Group's total purchases for the year ended 31 December 2010 respectively.

The aggregate sales attributable to the five largest customers of the Group accounted for less than 30% of the Group's total sales for the year ended 31 December 2010.

At no time during the year did a Director, an associate of a Director, within the meaning of the Listing Rules, or a Shareholder which to the knowledge of the Directors owns more than 5% of the Company's share capital, have any interest in the Group's five largest suppliers and five largest customers.

PUBLIC FLOAT

On the basis of information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has complied with the public float requirements of the Listing Rules.

MANAGEMENT CONTRACT

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.

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 45 to the consolidated financial statements.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. HLM & Co. as auditor of the Company.

On behalf of the Board

Duan Chuan Liang
Chairman

Hong Kong, 28 March 2011

CORPORATE GOVERNANCE REPORT

The Company and its subsidiaries (the "Group") are committed to achieving high standards of corporate governance to safeguard the interests of shareholders of the Company (the "Shareholders") and to enhance transparency and accountability to the Shareholders.

For the year ended 31 December 2010, the Group has applied the principles of the recently promulgated Code 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 (the "Listing Rules") and complied with the code provisions (the "Code Provisions") of the CG Code. The Board continues to review and update the practices from time to time to ensure compliance with the legal and commercial standards, except for the Rules 3.10(1) and 3.21 of the Listing Rules.

Reference is made to the announcement of the Company dated 28 June 2010 in relation to the retirement of Mr. Tam Pei Qiang, an independent non-executive Director and a member of the audit committee of the Company. Following Mr. Tam's retirement, the Company had only two independent non-executive Directors and two audit committee members, the number of which falls below the minimum number required under the Rules 3.10(1) and 3.21 of the Listing Rules.

On 16 August 2010, Ms. Li Ling, an independent non-executive Director, has resigned from her office and Mr. Chan Pok Hiu and Mr. Wong Chi Ming have been appointed as independent non-executive Directors and members of the audit committee of the Company. With the appointment of Mr. Chan Pok Hiu and Mr. Wong Chi Ming, the Company have complied with the requirements under Rules 3.10(1) and 3.21 of the Listing Rules again.

BOARD OF DIRECTORS

1. The Board of Directors

As at 31 December 2010, the Board consisted of seven Directors, comprising Ms. Wang Wenxia *(Vice Chairman and Chief Executive Officer)* and Mr. Ren Qian as executive Directors; Mr. Duan Chuan Liang *(Chairman)* and Mr. Zhou Kun as non-executive Directors and Mr. Chen Ziqiang, Mr. Chan Pok Hiu and Mr. Wong Chi Ming as independent non-executive Directors. The Board has the collective responsibility for the leadership and promotion of the success of the Group's business by directing and supervising the Group's affairs.

The Board is committed to the Group's objectives of enhancing the Shareholders' value and devotes considerable effort to maintaining the level of business ethics and corporate governance practices. The Board is collectively responsible for formulating the overall objective and strategy of the Group, monitoring and evaluating its operating and financial performance and reviewing the standard of corporate governance of the Group. It also makes decisions on matters such as approving the annual results, interim results, connected transactions, appointment and re-appointment of Directors, dividends declaration and adoption of accounting policies. The Board has delegated the authority and responsibility for implementing the Group's business strategies and managing of the Group's daily business operations to the management.

The Board conducts scheduled meetings on a regular basis. Ad-hoc meetings are convened when circumstances require; the Board had met eight times for the year ended 31 December 2010 and considered; reviewed and approved significant matters including the placing of Shares, increase authorized capital, the 2009 annual results and the 2010 interim results of the Group.

Individual attendance of each Director at Board meetings during for the year ended 31 December 2010 is set out below:

			No. of attendance / No. of meetings	Attendance rate
Executive Directors				
1.	Ms. Wang Wenxia *(Vice Chairman and Chief Executive Officer)*		8/8	100%
2.	Mr. Ren Qian		8/8	100%
3.	Mr. But Ka Wai *(Chairman)*	(resigned on 25 October 2010)	6/6	100%
4.	Mr. But Chai Tong *(Vice Chairman)*	(resigned on 28 June 2010)	3/3	100%
5.	Mr. Sun Zhen Yu	(resigned on 25 June 2010)	3/3	100%
Non-executive Directors				
6.	Mr. Duan Chuan Liang *(Chairman)*	(appointed on 25 October 2010)	N/A	N/A
7.	Mr. Zhou Kun		8/8	100%
Independent non-executive Directors				
8.	Mr. Chen Ziqiang		8/8	100%
9.	Mr. Chan Pok Hiu	(appointed on 16 August 2010)	2/2	100%
10.	Mr. Wong Chi Ming	(appointed on 16 August 2010)	2/2	100%
11.	Mr. Tam Pei Qiang	(resigned on 28 June 2010)	3/3	100%
12.	Ms. Li Ling	(resigned on 16 August 2010)	6/6	100%

To maximize the effectiveness of the Board and to encourage active participation and contribution from Board members, the Board has established an audit committee, a remuneration committee and a nomination committee. Detailed descriptions of each of these committees are set out below. All of these committees adopt, as far as practicable, the principles, procedures and arrangements of the Board in relation to the scheduling and proceeding of meetings, notice of meetings and inclusion of agenda items, records and availability of minutes.

2. Board Composition

As at 31 December 2010, the Board comprises two executive Directors, two non-executive Directors and three independent non-executive Directors. The Board has received annual confirmations of independence in writing from each of the independent non-executive Directors and believed that all the independent non-executive Directors met the guidelines for assessment of independence as set out in Rule 3.13 of the Listing Rules.

The attributes, skills and expertise among the existing Directors are considered appropriate so as to effectively lead, supervise and manage the Group, taking into account the scope and nature of the operations. The Directors have a mix of core competencies in areas such as accounting and finance, business and management, production and quality control techniques, industry knowledge and marketing strategies. Details of the experience and qualifications of Directors and senior management of the Company (the "Senior Management") are set out in the section headed "Directors' and Senior Management Biographical Details" in this annual report.

3. Appointment, Re-election and Removal of Directors

At each annual general meeting of the Company ("AGM"), one-third of the Directors are required to retire from office by rotation. The Director, since his/her last election or appointment who has been the longest in office shall retire and be eligible for re-election at the AGM. With the introduction of the CG Code and to comply with Code Provision A.4.2 of the CG Code, the chairman and/or the managing director of the Group will voluntarily retire at the AGM at least once every three years.

As at 31 December 2010, all independent non-executive Directors are appointed for a fixed term not exceeding three years and all non-executive Directors are subject to the requirements of retirement by rotation and re-election by Shareholders at the AGM in accordance with the Company's articles of association (the "Articles").

The names and biographical details of the Directors who will offer themselves for election or re-election at the forthcoming AGM are set out in the circular to Shareholders to assist Shareholders in making an informed decision on their elections.

Since the Company establishes a nomination committee participates in the appointment of new Directors. In evaluating whether an appointee is suitable to act as a Director, the nomination committee will consider the experience and skills of the appointee; as well as personal ethics, integrity and the willingness to commit time in the affairs of the Group. Where the appointee is appointed as an independent non-executive Director, the Board will also consider his/her independence. During the year ended 31 December 2010, the Board had also reviewed and made recommendations in respect of the re-appointments of retiring Directors, which were approved by the Shareholders at the last AGM.

4. Chairman and Chief Executive Officer

The Group is committed to achieving high standards of corporate governance. Throughout the year ended 31 December 2010, the Company had applied the principles and complied with the requirements set out in the CG Code in Appendix 14 of the Listing Rules:

Code Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The chairman of the Company (the "Chairman") is Mr. Duan Chuan Liang and the chief executive officer of the Company is Ms. Wang Wenxia. Their respective responsibilities are clearly defined and set out in writing.

The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. With the support of the senior management, the Chairman is also responsible for ensuring that the Directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues at the Board meetings.

Ms. Wang Wenxia focuses on implementing objectives, policies and strategies approved and delegated by the Board. She is in charge of the Company's management and operations in property business. She is also responsible for developing strategic plans and formulating the company practices and procedures, business objectives, and risk assessment for the Board's approval.

BOARD COMMITTEE

1. Audit Committee ("AC")

The Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The AC's membership comprised the independent non-executive Directors as at 31 December 2010, namely as Mr. Wong Chi Ming *(Committee Chairman)*, Mr. Chen Ziqiang and Mr. Chan Pok Hiu.

The Board is of the opinion that members of the AC have sufficient accounting and financial management expertise or experience to discharge their duties.

The operations of the AC are regulated by its terms of reference. The main duties of the AC include:

- to review and supervise the Group's financial reporting process including the review of interim and annual results of the Group;
- to review the external auditors' appointment, remuneration and any matters relating to resignation or termination;
- to examine the effectiveness of the Group's internal control which involves regular review in various corporate structures and business process; and
- to realize corporate objective and strategy by taking into account the potential risk and the nature of its urgency in order to ensure the effectiveness of the Group's business operations. The scope of such reviews includes finance, operations, regulatory compliance and risk management.

The AC met two times during for the year ended 31 December 2010 with an attendance rate of 100% and reviewed the interim results and the annual results of the Group for the year ended 31 December 2009. The AC had also reviewed the Group's audited annual results of the year ended 31 December 2010. The Company Secretary of the Company keeps all minutes of the AC.

The attendance records of AC meetings held during for the year ended 31 December 2010 are set out below:

			No. of attendance / No. of meetings	Attendance rate
Independent non-executive Directors				
1.	Mr. Wong Chi Ming *(Committee Chairman)*	(appointed on 16 August 2010)	1/1	100%
2.	Mr. Chen Ziqiang		2/2	100%
3.	Mr. Chan Pok Hiu	(appointed on 16 August 2010)	1/1	100%
4.	Mr. Tam Pei Qiang *(Committee Chairman)*	(resigned on 28 June 2010)	1/1	100%
5.	Ms. Li Ling	(resigned on 16 August 2010)	1/1	100%

2. Remuneration Committee ("RC")

The Board has established the RC in 16 September 2005 with terms of reference, comprising a majority of independent non-executive Directors, which meets at least once a year. It is chaired by Mr. Chen Ziqiang and comprises two other members, namely Mr. Chan Pok Hiu and Mr. Wong Chi Ming. All RC members are independent non-executive Directors. The quorum necessary for the transaction of business by the RC is two.

The principal responsibilities of RC are to formulate remuneration policy of the Group, review and make recommendations to the Board in respect of the remuneration policy and to determine the remuneration of the executive Directors and the senior management.

The RC met four times during the year ended 31 December 2010 with an attendance rate of 100% and reviewed its terms of reference, the remuneration policy of the Group and the remuneration packages of Directors and senior management staff.

			No. of attendance / No. of meetings	Attendance rate
Independent non-executive Directors				
1.	Mr. Chen Ziqiang *(Committee Chairman)*		4/4	100%
2.	Mr. Chan Pok Hiu	(appointed on 16 August 2010)	2/2	100%
3.	Mr. Wong Chi Ming	(appointed on 16 August 2010)	2/2	100%
4.	Mr. Tam Pei Qiang	(resigned on 28 June 2010)	1/1	100%
5.	Ms. Li Ling	(resigned on 16 August 2010)	2/2	100%

3. Nomination Committee ("NC")

The Board has established the NC in 16 September 2005 with terms of reference, comprising a majority of independent non-executive Directors. It is chaired by Mr. Chan Pok Hiu and comprises two other members, namely Mr. Chen Ziqiang and Mr. Wong Chi Ming. All NC members are independent non-executive Directors. The quorum necessary for the transaction of business by the NC is two.

The Committee from time to time considers replenishing the composition of the Board whenever the Company requires to meet the business demand, opportunities and challenges and to comply with the laws and regulations. Once meeting of the NC was held during the year. The nomination procedures basically follow Article 111 which empowers the Board from time to time and at any time to appoint any person as a director either to fill a casual vacancy or as an addition to the Board. The Directors will select and evaluate the balance of skills, qualification, knowledge and experience of the candidate to the directorship as may be required by the Company from time to time by such means as the Company may deem fit. The Directors shall consider the candidate from a wide range of backgrounds, on his/her merits and against objective criteria set out by the Board and taking into consideration his/her time devoted to the position.

All newly appointed Director will be provided an induction so as to ensure that he/she has appropriate understanding of the business and operations of the Group and of the responsibilities and obligations under the Listing Rules and other relevant regulatory requirements.

The attendance records of NC meeting held during for the year ended 31 December 2010 are set out below:

			No. of attendance / No. of meeting	Attendance rate
Independent non-executive Directors				
1.	Mr. Chan Pok Hiu *(Committee Chairman)*	(appointed on 16 August 2010)	N/A	N/A
2.	Mr. Chen Ziqiang		1/1	100%
3.	Mr. Wong Chi Ming	(appointed on 16 August 2010)	N/A	N/A
4.	Mr. Tam Pei Qiang	(resigned on 28 June 2010)	1/1	100%
5.	Ms. Li Ling *(Committee Chairman)*	(resigned on 16 August 2010)	1/1	100%

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules (as amended from time to time by the Stock Exchange) as its own code of conduct for regulating securities transactions by Directors of the Company.

Having made specific enquiries to all Directors, all the Directors confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2010.

ACCOUNTABILITY AND AUDIT

1. Financial Reporting

The Board acknowledges its responsibility for preparing the Group's accounts which gives a true and fair view of the state of affairs of the Company and of the Group on a going concern basis, with supporting assumption or qualification as necessary.

In preparing the accounts for the year ended 31 December 2010, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent and reasonable.

The management provides explanation and information to the Board as to enable the Board to make informed assessments of the financial and other information put before the Board for approval.

The Board endeavours to ensure the making of balanced, clear and understandable assessments of the Group's position and prospects and extending the coverage of such information to include annual, interim reports, price-sensitive announcements and financial disclosures as required under the Listing Rules, reports to regulators as well as any information that is required to be disclosed pursuant to statutory requirements.

2. Auditors' Remuneration

During the year ended 31 December 2010, the fees paid to Messrs. HLM & Co, the Group's external auditor HK$950,000 for audit services of the Group and approximately HK$65,000 for non-audit related services in respect of placing and major transaction of the Group.

COMMUNICATION WITH SHAREHOLDERS

The Company strives to convey to Shareholders pertinent information in a clear, detailed, timely manner and on a regular basis and to take into consideration their views and inputs, and to address the Shareholders concerned. Their views are communicated to the Board comprehensively.

The Company communicates with the Shareholders through the publication of annual, interim reports, results announcements and releases. All communications to Shareholders are also available on the Company's website at www.waterpropertygroup.com.

The AGM provides a useful platform for Shareholders to exchange views with the Board. The Chairman and the Board members are available to answer Shareholders' questions.

Separate resolutions are proposed at general meetings on each substantially separate issue, including the election of individual Directors.

All votes of the Shareholders at a general meeting must be taken by poll according to the Listing Rules. The chairman of the meeting will therefore demand a poll for every resolution put to the vote of the AGM pursuant to the Article.

INVESTOR RELATIONS

The Board recognizes that effective communication with investors is the key to establish investor confidence and to attract new investors.

1. Results Announcement

Annual reports and interim reports are prepared and issued to all Shareholders within the prescribed period stipulated by the Listing Rules. All results announcements and reports are posted on the Company's website and the Stock Exchange's website. The Company can still provide the Shareholders and investors with an adequate degree of transparency and information of the financial position of the Company.

2. Regularly Release Corporate Information

The Group regularly releases corporate information such as the latest news of the Group's developments on its Company's website. The public are welcome to give their comments and make their enquiries through the Company's website, the management will give their prompt response.

INDEPENDENT AUDITORS' REPORT

恒健會計師行
HLM & Co.
Certified Public Accountants

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TO THE MEMBERS OF CHINA WATER PROPERTY GROUP LIMITED
中國水務地產集團有限公司
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Water Property Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 36 to 124 which comprise the consolidated and Company statement of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' 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, 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 auditors' 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 auditors consider 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 Company and of the Group as at 31 December 2010 and the Group's profit 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.

HLM & Co.
Certified Public Accountants

Hong Kong, 28 March 2011

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	NOTES	2010 HK$'000	2009 HK$'000 (restated)
Continuing operations			
Turnover	7	**990,841**	65,612
Cost of sales		**(515,203)**	(49,311)
Gross profit		**475,638**	16,301
Fair value gain in respect of investment properties transferred from inventory of properties		**478,343**	—
Other operating income	7	**3,388**	3,734
Selling and distribution expenses		**(74,820)**	(17,447)
Administrative expenses		**(79,780)**	(47,741)
Finance costs	8	**(22,890)**	(34,803)
Operating profit (loss) before impairment charges		**779,879**	(79,956)
Impairment on properties, plant and equipment		**—**	(39,888)
Impairment on trade receivables		**—**	(102,301)
Write-off of inventories		**—**	(6,589)
Profit (loss) before tax		**779,879**	(228,734)
Income tax (charge) credit	10	**(265,776)**	3,163
Profit (loss) for the year from continuing operations	11	**514,103**	(225,571)
Discontinued operation			
Loss for the year from discontinued operation	12	**(7,299)**	(106,460)
Profit (loss) for the year		**506,804**	(332,031)
Profit (loss) for the year attributable to:			
Owners of the Company			
Profit (loss) for the year from continuing operations		**510,631**	(225,217)
Loss for the year from discontinued operation		**(1,097)**	(91,077)
Profit (loss) for the year attributable to owners of the Company		**509,534**	(316,294)
Non-controlling interests			
Profit (loss) for the year from continuing operations		**3,472**	(354)
Loss for the year from discontinued operation		**(6,202)**	(15,383)
Loss for the year attributable to non-controlling interests		**(2,730)**	(15,737)
		506,804	(332,031)
Dividends	13	**—**	—
Earnings (loss) per share	14	**HK Cents**	HK Cents
From continuing and discontinued operations			
Basic		**4.66**	(7.73)
Diluted		**4.00**	N/A
From continuing operations			
Basic		**4.67**	(5.50)
Diluted		**4.01**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
Profit (loss) for the year	**506,804**	(332,031)
Other comprehensive income:		
Exchange differences arising on translation	**10,319**	—
Total comprehensive income (expense) for the year (net of tax)	**517,123**	(332,031)
Total comprehensive income (expense) attributable to:		
Owners of the Company	**519,853**	(316,294)
Non-controlling interests	**(2,730)**	(15,737)
	517,123	(332,031)

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	NOTES	2010 HK$'000	2009 HK$'000
ASSETS			
Non-current assets			
Prepaid lease payments	15	**1,751**	2,877
Properties, plant and equipment	16	**95,965**	157,467
Investment properties	18	**982,353**	—
Goodwill	19	**174,605**	174,605
Deposit paid on acquisition of a subsidiary	45	**58,824**	—
Biological assets	20	**—**	4,560
Intangible assets	21	**—**	962
Deferred tax assets	37	**—**	3,918
		1,313,498	344,389
Current assets			
Inventories	22	**9,851**	33,048
Inventory of properties	23	**958,195**	412,168
Trade and other receivables	24	**225,730**	122,523
Prepaid tax		**200**	156
Derivative financial instruments	25	**—**	1,511
Pledged bank deposits	26	**9,978**	13,973
Bank balances and cash	26	**263,602**	164,646
		1,467,556	748,025
TOTAL ASSETS		**2,781,054**	1,092,414
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	34	**125,142**	84,800
Reserves		**1,070,059**	167,910
Equity attributable to owners of the Company		**1,195,201**	252,710
Non-controlling interests		**160,366**	36,710
TOTAL EQUITY		**1,355,567**	289,420

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	NOTES	2010 HK$'000	2009 HK$'000
Non-current liabilities			
Deferred tax liabilities	37	**224,115**	—
Obligations under finance leases	29	**—**	377
Borrowings — due after one year	32	**294,118**	137,875
Convertible notes	33	**62,172**	107,975
		580,405	246,227
Current liabilities			
Trade and other payables	27	**377,384**	204,543
Deposits received for sale and lease of properties	28	**77,837**	—
Obligations under finance leases	29	**169**	618
Tax payable		**122,168**	2,354
Amounts due to non-controlling shareholders of subsidiaries	30	**43,804**	13,357
Amount due to a shareholder	31	**52,246**	20,420
Borrowings — due within one year	32	**171,474**	241,575
Convertible notes	33	**—**	73,900
		845,082	556,767
TOTAL LIABILITIES		**1,425,487**	802,994
TOTAL EQUITY AND LIABILITIES		**2,781,054**	1,092,414
NET CURRENT ASSETS		**622,474**	191,258
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,935,972**	535,647

The consolidated financial statements on pages 36 to 124 were approved and authorised for issue by the board of directors on 28 March 2011 and are signed on its behalf by:

Duan Chuan Liang
DIRECTOR

Wang Wenxia
DIRECTOR

STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	NOTES	2010 HK$'000	2009 HK$'000
ASSETS			
Non-current asset			
Interests in subsidiaries	17	**710,117**	382,273
Current assets			
Amount due from related parties		**450**	450
Trade and other receivables		**1,002**	—
Bank balances		**190**	145
		1,642	595
TOTAL ASSETS		**711,759**	382,868
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	34	**125,142**	84,800
Reserves	36	**454,726**	104,196
TOTAL EQUITY		**579,868**	188,996
Non-current liability			
Convertible notes	33	**62,172**	107,975
		62,172	107,975
Current liabilities			
Other creditors and accruals		**18,005**	11,997
Amount due to a shareholder	31	**51,714**	—
Convertible notes		**—**	73,900
		69,719	85,897
TOTAL LIABILITIES		**131,891**	193,872
TOTAL EQUITY AND LIABILITIES		**711,759**	382,868
NET CURRENT LIABILITIES		**(68,077)**	(85,302)
TOTAL ASSETS LESS CURRENT LIABILITIES		**642,040**	296,971

The financial statements on pages 36 to 124 were approved and authorised for issue by the board of directors on 28 March 2011 and are signed on its behalf by:

Duan Chuan Liang
DIRECTOR

Wang Wenxia
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Share capital HK$'000	Share premium HK$'000	Convertible notes equity reserve HK$'000	Share options reserve HK$'000	Special reserve HK$'000	PRC statutory reserve HK$'000	Translation reserve HK$'000	Accumulated profit (losses) HK$'000	Attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2009	6,919	85,883	58,645	8,820	10,816	25,565	20,767	(154,497)	62,918	39,039	101,957
Loss for the year and total comprehensive expense	—	—	—	—	—	—	—	(316,294)	(316,294)	(15,737)	(332,031)
Issue of shares on acquisition of a subsidiary	8,462	110,856	—	—	—	—	—	—	119,318	—	119,318
Issue of shares on conversion of convertible notes	6,113	49,599	(10,795)	—	—	—	—	—	44,917	—	44,917
Issue of shares on open offers	61,230	255,299	—	—	—	—	—	—	316,529	—	316,529
Issue of shares on top-up placing	2,076	27,400	—	—	—	—	—	—	29,476	—	29,476
Shares issue expenses	—	(6,013)	—	—	—	—	—	—	(6,013)	—	(6,013)
Release from redemption of convertible note	—	—	(909)	—	—	—	—	909	—	—	—
Share-based option expenses	—	—	—	1,859	—	—	—	—	1,859	—	1,859
Contributions from non-controlling interests	—	—	—	—	—	—	—	—	—	13,408	13,408
At 31 December 2009 and 1 January 2010	84,800	523,024	46,941	10,679	10,816	25,565	20,767	(469,882)	252,710	36,710	289,420
Profit for the year	—	—	—	—	—	—	—	509,534	509,534	(2,730)	506,804
Translation exchange differences	—	—	—	—	—	—	10,319	—	10,319	—	10,319
Total comprehensive income for the year	—	—	—	—	—	—	10,319	509,534	519,853	(2,730)	517,123
Disposal of a subsidiary	—	—	—	—	(848)	—	(10,182)	—	(11,030)	(22,190)	(33,220)
Issue of shares on acquisition of subsidiaries	11,065	152,572	—	—	—	—	—	—	163,637	126,166	289,803
Issue of shares on conversion of convertible notes	14,816	59,676	(20,364)	—	—	—	—	—	54,128	—	54,128
Issue of shares on top-up placing	13,860	188,496	—	—	—	—	—	—	202,356	—	202,356
Shares issue expenses	—	(10,807)	—	—	—	—	—	—	(10,807)	—	(10,807)
Release from redemption of convertible note	—	—	(1,143)	—	—	—	—	1,143	—	—	—
Exercise of share options	601	9,127	—	(2,295)	—	—	—	—	7,433	—	7,433
Share options lasped/expired	—	—	—	(7,963)	—	—	—	7,963	—	—	—
Share-based option expenses	—	—	—	16,073	—	—	—	—	16,073	—	16,073
Contributions from non-controlling interests	—	—	—	—	848	—	—	—	848	22,410	23,258
At 31 December 2010	125,142	922,088	25,434	16,494	10,816	25,565	20,904	48,758	1,195,201	160,366	1,355,567

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

The special reserve represents:

(i) the difference between the nominal value of the share capital issued by Wah Yuen Foods International Limited, a subsidiary of the Company, and the nominal value of the share capital of the subsidiaries acquired in a previous group reorganisation; and

(ii) the difference between the nominal value of the share capital issued by the Company and the nominal value of the share capital of the subsidiaries acquired in a previous group reorganisation.

The People's Republic of China (the "PRC") statutory reserves consist of a reserve fund and an expansion fund provided in accordance with the articles of association of the PRC subsidiaries. Laws and regulations in the PRC allow foreign investment enterprises to appropriate from profit after taxation, prepared in accordance with the PRC rules and regulations, an annual amount to the reserve fund and the expansion fund according to the decision of the board or the articles of association.

The reserve fund is to be used to expand the working capital of the PRC subsidiaries. When the PRC subsidiaries suffer losses, the reserve fund may be used to make up accumulated losses under special circumstances.

The expansion fund is to be used for business expansion and, if approved, can also be used to increase the capital of the PRC subsidiaries.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	NOTES	2010 HK$'000	2009 HK$'000
OPERATING ACTIVITIES			
Profit (loss) before tax from continuing operations		**779,879**	(228,734)
Loss before tax from discontinued operation	12	**(7,258)**	(106,426)
		772,621	(335,160)
Adjustments for:			
Interest expenses		**23,095**	34,963
Interest income		**(1,637)**	(227)
Depreciation		**11,147**	10,472
Amortisation of prepaid lease payments		**196**	202
Write-off of intangible asset		**—**	52
Loss on disposal on properties, plant and equipment		**7**	96
Loss on redemption of convertible note		**199**	—
Gain on disposal of a subsidiary		**(3,548)**	(37)
Share-based option expenses		**16,073**	1,859
Fair value gain in respect of investment properties transferred from inventory of properties		**(478,343)**	—
Change in fair value less estimated point-of-sales costs of biological assets		**—**	23,284
Write-off of inventories		**—**	6,681
Impairment on goodwill		**—**	69,904
Impairment on trade receivables		**—**	102,301
Impairment on properties, plant and equipment		**—**	39,888
Loss on disposal of derivative financial instrument		**—**	135
Net change in fair value of derivative financial instrument		**—**	5,303
Operating cash flows before movements in working capital		**339,810**	(40,284)
(Increase) decrease in inventories		**(783)**	3,408
Increase in inventory of properties		**(300,464)**	—
Increase in deposits received for sale of properties		**14,428**	—
(Increase) decrease in trade and other receivables		**(37,204)**	2,381
Increase in trade and other payables		**329,915**	666
Cash generated from (used in) operations		**345,702**	(33,829)
Interest paid		**(61,819)**	(11,732)
Hong Kong Profits Tax refunded		**—**	810
PRC Tax (paid) refunded		**(29,223)**	2,052
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES		**254,660**	(42,699)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	NOTES	2010 HK$'000	2009 HK$'000
INVESTING ACTIVITIES			
Decrease in pledged bank deposit		**4,000**	—
Settlement of derivative financial instruments		**1,511**	(1,916)
Purchase of properties, plant and equipment		**(17,261)**	(11,853)
Increase in deposit paid for acquisition of a subsidiary	45	**(58,824)**	—
Balance payment on acquisition of a subsidiary		**(48,864)**	—
Net cash inflow (outflow) on disposal of a subsidiary	44	**6,624**	(27)
Net cash outflow on acquisition of subsidiaries	39	**(156,749)**	(54,479)
Interest received		**1,637**	227
Proceeds from disposal of properties, plant and equipment		**—**	21
NET CASH USED IN INVESTING ACTIVITIES		**(267,926)**	(68,027)
FINANCING ACTIVITIES			
Exercise of share options		**7,433**	—
Borrowings raised		**470,588**	53,485
Repayment of bank borrowings		**(477,714)**	(101,766)
Contributions from non-controlling interests		**22,410**	13,408
Capital element of finance leases		**(826)**	(4,000)
(Payment to) advances from a shareholder		**(58,170)**	21,243
Advances from non-controlling interests		**848**	7,705
Proceeds from issue of new shares		**202,356**	330,182
Expenses on issue of new shares		**(10,807)**	(6,013)
Payment on redemption of convertible notes		**(73,346)**	(54,306)
NET CASH GENERATED FROM FINANCING ACTIVITIES		**82,772**	259,938
NET INCREASE IN CASH AND CASH EQUIVALENTS		**69,506**	149,212
Effect of foreign exchange rate change		**33,360**	—
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**169,417**	20,205
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**272,283**	169,417
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**263,602**	164,646
Pledged bank deposit		**9,978**	9,973
Bank overdrafts		**(1,297)**	(5,202)
		272,283	169,417

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

1. GENERAL

China Water Property Group Limited (the "Company") is an exempted company with limited liability incorporated in the Cayman Island under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 9 October 2002.

The shares of the Company are listed on The Stock Exchange of Hong Kong Limited on 25 June 2003. The addresses of its registered office and principal place of business are disclosed in the section headed "Corporate information" of the Group's Annual Report.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are (i) manufacture, sales and distribution of snack food and convenience frozen food products; and (ii) development of property project in the People's Republic of China (the "PRC"). Details of the principal subsidiaries are set out in note 47.

In prior years, the Group was also engaged in cultivation and sale of seabuckthorn seedlings, and manufacture and sale of seabuckthorn related products. This operation was discontinued in September 2009. Details are set out in note 12. Accordingly, the comparative figures of the consolidated income statement for the year ended 31 December 2009 have been restated to reflect the discontinuance of this operation.

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

New and revised Standards and Interpretations applied in the current year

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HK-Interpretation ("Int") 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners

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

New and revised Standards and Interpretations applied in the current year *(Continued)*

HKFRS 3 (as revised in 2008) Business Combination
HKFRS 3 (as revised in 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1 January 2010 in accordance with the relevant transitional provisions. Its application has affected the accounting for business combinations in the current year.

The impact of the application of HKFRS 3 (as revised in 2008) is as follows:

- HKFRS 3 (as revised in 2008) allows a choice on a tranaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests share of recognised identifiable net assets of the acquiree. In the current year, in accounting for the acquisition of HK Mei Lai international (Canada) Limited, 杭州普天房地產開發有限公司 (Hangzhou Pu Tian Property Development Co., Ltd), 武漢凱越房地產開發有限公司 (Wuhan Kai Yue Property Development Co., Ltd.), the Group has elected to measure the non-controlling interests at fair value at the date of acquisition.

- HKFRS 3 (as revised in 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously there were accounted for as part of the cost of the acquisition.

The application of HKFRS 3 (as revised in 2008) has no material impact on the Group's results for both years.

Hong Kong Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Hong Kong Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ("HK Int 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK Int 5 for the first time in the current year. Hong Kong Interpretation 5 requires retrospective application.

In order to comply with the requirements set out in HK Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such item loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK Int 5, term loans with a repayment on demand clause are classified as current liabilities.

As a result, bank loans that contain a repayment on demand clause with the aggregate carrying amounts of HK$6,950,000 have been reclassified from non-current liabilities to current liabilities as at 31 December 2010. The application of HK Int 5 has had no impact on the reported profit or loss for the current and prior years.

Such term loans have been presented in the earliest time band in the maturity analysis for financial liabilities that reflects the remaining contractual maturities.

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

New and revised Standards and Interpretations issued but not yet effective

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 except for the amendments to HKFRS 3 (Revised in 2008), HKFRS 7, HKAS 1 and HKAS 28[1]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosure for First-time Adopters[3]
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[5]
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[7]
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Asset[6]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendment)	Classification of Rights Issues[2]
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Amendments that are effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 February 2010.
3 Effective for annual periods beginning on or after 1 July 2010.
4 Effective for annual periods beginning on or after 1 January 2011.
5 Effective for annual periods beginning on or after 1 July 2011.
6 Effective for annual periods beginning on or after 1 January 2012
7 Effective for annual periods beginning on or after 1 January 2013.

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

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

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

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

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

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may have a significant impact on amounts reported in respect of the Group's financial assets. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to HKFRS 7 *titled Disclosures — Transfers of Financial Assets* increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors do not anticipate that these amendments to HKFRS 7 will have a significant effect on the Group's disclosures regarding transfers of trade receivables previously effected. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

HKAS 24 *Related Party Disclosures* (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities.

The disclosure exemptions introduced in HKAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related entity.

The amendments to HKAS 32 titled *Classification of Rights Issues* address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments. However, if the Group does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to HKAS 32 will have an impact on the classification of those rights issues.

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

HK(IFRIC)-Int 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into any such transactions in the future, HK(IFRIC)-Int 19 will affect the required accounting. In particular, under HK(IFRIC)-Int 19, equity instruments issued under such arrangements will be measured at their fair value, and difference between the carrying amount of financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

The directors of the Company anticipate that the application of the other new or revised standards, amendments and interpretations will have no material impact on the Financial Information.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose 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 income statement from the effective date of acquisition and 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. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

Business combinations that took place on or after 1 January 2010
Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with HKFRS 2 Share-based Payment; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

Business combinations that took place on or after 1 January 2010 *(Continued)*
The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, could have affected the amounts recognised as of that date.

Business combinations that took place prior to 1 January 2010
Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

The non-controlling interests in the acquiree was initially measured at the non-controlling interests' proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

Business combinations that took place prior to 1 January 2010 *(Continued)*

Contingent consideration was recognised, if and only if, the contingent consideration was probable and could be measured reliably. Subsequent adjustments to contingent consideration were recognised against the cost of the acquisition.

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

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 Group's cash-generating units 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 when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less that its carrying amount, 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 on a pro-rata basis based on 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 profit or loss on disposal.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Interest income from bank deposits is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Revenue from sales of properties is recognised when the risks and rewards of the properties transferred to the purchaser, which is when the construction of the relevant properties have been completed and properties have been delivered to the purchaser pursuant to the sale agreements, and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in current liabilities.

Investment in subsidiaries

A subsidiary is a company that is controlled by the Company, where the Company has the power to govern the financial and operating policies of such company so as to obtain benefits from its activities.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 as profit or loss over the period necessary to match them with the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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.

Properties, plant and equipment

Properties, plant and equipment including buildings and leasehold land (classified as finance leases) held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of properties, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is provided to write off the cost of items of properties, plant and equipment other than construction in progress over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Buildings	Over the relevant lease terms, or 20 years, whichever is the shorter
Furniture and equipment	16%–20%
Motor vehicles	20%–30%
Plant and machinery	8%–10%
Loose tools and moulds	10%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Properties, plant and equipment *(Continued)*

An item of properties, 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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Prepaid lease payments

Prepaid lease payments represent up-front prepayments made for the land use rights and are expensed in the consolidated income statement on a straight-line basis over the period of the lease.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Cost includes cost of purchases and where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition. Net realisable value is determined on the basis of anticipated sales proceeds less estimated costs to completion and selling expenses.

Agricultural produce harvested from an entity's biological assets shall be measured at its fair value less estimated point-of-sale costs at the point of harvest.

Financial instruments

Financial assets and financial liabilities are recognised 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 value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the two categories: financial assets "at fair value through profit or loss" (FVTPL) and "loans and receivables". All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument 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 points 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 debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Effective interest method *(Continued)*

Income is recognised on an effective interest basis for debt instruments other than those financial assets designed as at FVTPL.

Financial assets at fair value through profit or loss

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

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. Loan and receivables (including trade and other receivables, pledged bank deposits, bank balances and cash, and amounts due from Directors) are measured at amortised cost using the effective interest method, less any impairment (see the accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are 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.

For an AFS equity investment, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- The disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are assessed for impairment on a collective basis. Object 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 of 60 days, 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 is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the assets carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

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

When an AFS financial asset is considered to be impaired cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Debt 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 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 an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss id recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is a part of a portfolio of an identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designed as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities (including borrowings, trade and other payables) are subsequently measured at amortised cost using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

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 on points paid or received that form an integral part of the effective 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 other than those financial liabilities classified as at FVTPL.

Convertible notes

Convertible notes issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to convertible notes equity reserve. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to convertible notes equity reserve. No gain or loss is recognised in profit and loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and amortised over the lives of the convertible notes using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

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 assets and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognised its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they 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 (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amounts recognised as a provision is 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 is material).

When some or all of the economic benefit required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the date of acquisition. At the end of the reporting period, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with HKAS 37 and the amount initially recognised less cumulative amortisation recognised in accordance with HKAS 18 Revenue.

Equity settled share-based payment transactions

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve). At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that are vested at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

At the time when the share options are exercised, the amount previously recognised in share options 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 options reserve will be transferred to retained earnings.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses on tangible and intangible assets other than goodwill

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. Where 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.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is indication that the asset may be impaired.

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 is 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 (or a cash-generating unit) 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 immediately in profit or loss.

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 lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Rental payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

Leasehold land for own use

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case the entire lease is generally treated as a finance lease and accounted for as properties, plant and equipment. To the extent the allocation of the lease payments can be made reliably, interest in leasehold land is accounted for as operating lease and amortised over the lease terms on a straight-line basis.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arises.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit and loss in the period in which the property is derecognised.

Inventory of properties is transferred to investment properties when it is evidenced by the commencement of an operating lease to another party. The difference between the fair value and the carrying amount at the date of transfer is recognised in profit or loss.

Intangible assets

Expenditure on research and development activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development expenditure or trademark fee, patent fee and development cost is recognised only if it is anticipated that the development costs incurred on a clearly defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life when the asset is available for use.

The amount initially recognised for internally generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

Subsequent to initial recognition, internally generated intangible asset is reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Biological assets

Biological assets represent seabuckthorn plantations held under the Forest Tree Rights and, are stated at fair value less estimated point-of-sale cost. Gain or loss arising on initial recognition of plantations at fair value less estimated point-of-sale costs and from change in fair value less estimated point-of-sale costs of plantations at each reporting date are included in the consolidated statement of comprehensive income for the period in which they arise.

The fair value of the plantations is estimated by reference to independent professional valuations of the underlying biological assets using the income approach with the discounted cash-flow method. The expected future income from the whole life cycle of the seabuckthorn plantations is determined using the market prices of the estimated yields of the seabuckthorn, net of maintenance and harvesting costs, and any costs required to bring the seabuckthorn plantations to maturity. The estimated yields of the seabuckthorn plantations are dependent on the age of the seabuckthorn and the location of the seabuckthorn. The market price of seabuckthorn is largely dependent on the prevailing market price of seedlings, cortex, fruits, sap and leaves.

Taxation

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

The tax currently payable is based on taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and 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 bases 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 differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax 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 and associates, and interests in join ventures, 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 and interests 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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 realised, based on tax rates (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 cover or settle the carrying amount of its asset and liabilities.

Current tax or deferred tax is recognised in profit and loss, expect when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current tax and deferred tax is also recognised in other comprehensive income or directly in equity respectively. When 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.

Inventory of properties

Inventory of properties includes properties under development and properties held for sale which are included in current assets at the lower of cost and net realisable value.

The costs of properties under development consist of construction expenditures, amounts capitalised in respect of amortisation of upfront payments of land use rights, borrowing costs directly attributable to construction of such properties and other direct costs. Net realisable value is based on estimated selling price in the ordinary course of business as determined by management with reference to the prevailing market conditions, less further costs expected to be incurred to completion and selling and marketing costs. On completion, the properties, together with related land use rights, are transferred to completed properties held for sale.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle, which are classified as properties held for development under non-current assets.

No depreciation is provided on properties under development.

Retirement benefit costs

Payments to Mandatory Provident Fund Scheme and state-managed retirement benefits schemes are charged as expenses as they fall due. The Group's obligations under state-managed retirement benefits schemes are equivalent to those arising in a defined contribution retirement benefits scheme.

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 (the "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 exchange rates 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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

- exchange differences on monetary items receivable from or payable to foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting 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 dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non- controlling interests as appropriate).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

From 1 January 2010 onwards, 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 a control over a subsidiary that includes a foreign operations, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate 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 that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposal (i.e. partial disposal of associates or jointly controlled entitles that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in the foreign currency 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 indeed 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.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash at banks and on hand, demand deposits with banks and other financial institutions, short-term, highly liquid investments that are readily convertible to cash and with a maturity of three months or less from date of investment, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated statement of financial position.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The 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, are discussed below.

(a) Depreciation and amortisation

The Group depreciates the properties, plant and equipment over their estimated useful lives and after taking into account of their estimated residual values, using the straight line method. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's properties, plant and equipment. The residual values reflect the directors' estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life.

(b) Estimated impairment on properties, plant and equipment

Properties, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is determined with reference to the higher of fair value of the properties, plant and equipment less costs to sell or the value-in-use calculations. An impairment loss is measured as the difference between the asset's carrying amount and the recoverable amount. Where the recoverable amount is less than expected, a material impairment loss may arise. As at 31 December 2010, the Group reported no impairment loss for certain properties, plant and equipment (2009: HK$39,888,000).

(c) Estimated impairment on inventories

The management of the Group reviews an aging analysis at the end of each reporting period, and identifies obsolete and slow-moving inventory items that are no longer suitable for use in production. The management estimates the net realisable value for such finished goods and work-in-progress based primarily on the latest invoice prices and current market conditions. The Group carries out a review of the inventories on a product-by-product basis at the end of each reporting periods and provide impairment on obsolete items.

(d) Allowance for doubtful debts

The Group's provision policy for bad and doubtful debts is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required. As at 31 December 2010, the carrying amount of trade receivable is approximately HK$24,953,000, (2009: HK$25,914,000) (net of allowance for doubtful debts of approximately HK$ Nil (2009: HK$102,301,000)).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(e) Estimated impairment on goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than previously estimated, a material impairment loss may arise in the future period. As at 31 December 2010, the carrying amount of goodwill is approximately HK$174,605,000 (2009: HK$174,605,000), net of accumulated impairment loss of HK$Nil (2009: HK$171,613,000). Details of the recoverable amount calculation are disclosed in note 19.

(f) Estimation of fair value of biological assets

The biological assets are stated at fair value less point-of-sale cost. This requires an independent valuer's assessment of the fair value of the biological assets. The carrying amount of the Group's biological assets at 31 December 2010 is HK$Nil (2009: HK$4,560,000). Details of the valuation are disclosed in note 20.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include borrowings, trade and other receivables and trade and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk management

Certain trade receivables of the Group are denominated in foreign currencies which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's major foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets 2010 HK$'000	**Liabilities 2010 HK$'000**	Assets 2009 HK$'000	Liabilities 2009 HK$'000
Renminbi ("Rmb")	**1,954,183**	**1,137,333**	203,756	411,077

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Currency risk management *(Continued)*

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in Rmb against Hong Kong dollar.

The following table shows the sensitivity analysis of a 5% increase/decrease in Rmb against the Hong Kong dollars, the effect in the profit/loss for the year is as follows:

	Impact of Rmb 2010 HK$'000	Impact of Rmb 2009 HK$'000
Increase/decrease in profit/loss for the year	**40,843**	10,366

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the Group's funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, carrying out fund raising activities and matching the maturity profiles of financial assets and liabilities. The maturity profile of the Group's financial liabilities at the end of the reporting period based on contractual undiscounted payments are summarised below:

	2010			
	On demand HK$'000	**Within 1 year HK$'000**	**2–5 years HK$'000**	**Total HK$'000**
Trade and other payables	**377,384**	—	—	**377,384**
Obligations under finance leases	—	**169**	—	**169**
Amounts due to non-controlling shareholders of subsidiaries	**43,804**	—	—	**43,804**
Amount due to a shareholder	**52,246**	—	—	**52,246**
Tax payables	—	**122,168**	—	**122,168**
Borrowings	**32,650**	**138,824**	**294,118**	**465,592**
Convertible notes	**62,172**	—	—	**62,172**
	568,256	**261,161**	**294,118**	**1,123,535**

Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights within one year after the reporting dates.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk management *(Continued)*

	2009			
	On demand HK$'000	Within 1 year HK$'000	1–5 years HK$'000	Total HK$'000
Trade and other payables	204,543	—	—	204,543
Obligations under finance leases	—	618	377	995
Amounts due to non-controlling shareholders of subsidiaries	13,357	—	—	13,357
Amount due to a shareholder	20,420	—	—	20,420
Tax payables	2,354	—	—	2,354
Borrowings	—	241,575	137,875	379,450
Convertible notes	—	73,900	107,975	181,875
	240,674	316,093	246,227	802,994

Credit risk management

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2010 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken in time to recover overdue debts. In addition, management of the Group reviews regularly the recoverable amount of each individual trade debt to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management considers that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spreading over a large number of counterparties and customers.

Interest rate risk management

The Group

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has no significant interest-bearing assets. The Group's exposure to changes in interest rates is mainly attributable to its borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk.

Management of the Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing position, alternative financing and hedging. Based on these scenarios, management of the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shifts is useful for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

The Group currently does not use any interest rate swaps to hedge its exposure to interest rate risk. However, management of the Group will consider hedging significant interest rate exposure should the need arise.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Interest rate risk management *(Continued)*

The Group *(Continued)*

Sensitivity analysis

The sensitivity analysis below, which include interest rate exposure on variable interest-bearing liabilities and deposits, have been determined based on the exposure to interest rates for of non-derivative instrument at the end of the reporting period. For non-bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease is used which represents management's assessment of the possible change in interest rates.

If interest rates have been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2010 would increase/decrease by HK$1,920,000 (2009: HK$2,013,000).

The Company

The Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company has no significant interest-bearing assets. The Company's exposure to changes in interest rates is mainly attributable to its borrowings. A 100 basis point increase or decrease is used which represents management's assessment of the possible change in interest rates.

If interest rates have been 100 basis points higher/lower and all other variables were held constant, the Company's loss for the year ended 31 December 2010 would increase/decrease by HK$2,000 (2009: HK$1,000)

Fair values

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the end of each reporting period across the three levels of the fair value hierarchy defined in HKFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument recognised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Fair values *(Continued)*

(i) Financial instruments carried at fair value *(Continued)*

At 31 December, 2010, the Group had following financial instruments carried at fair value all of which are based on the Level 2 of the fair value hierarchy:

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Assets		
Derivative financial instruments	**—**	1,511

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2010 and 2009 except as follows:

	2010		2009	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	HK$'000	**HK$'000**	HK$'000	HK$'000
The Group				
Cash and cash equivalents	**272,283**	**272,283**	169,417	169,417
Trade and other receivables	**225,730**	**225,730**	122,523	122,523
Trade and other payables	**(377,384)**	**(377,384)**	(204,543)	(204,543)
Amount due to a shareholder	**(52,246)**	**(52,246)**	(20,420)	(20,420)
Amount due to non-controlling shareholders of subsidiaries	**(43,804)**	**(43,804)**	(13,357)	(13,357)
Obligations under finance leases	**(169)**	**(169)**	(995)	(995)
Borrowings	**(465,592)**	**(465,592)**	(379,450)	(379,450)
Convertible bonds	**(62,172)**	**(62,172)**	(181,875)	(181,875)

Estimation of fair value

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Estimation of fair value *(Continued)*

The following methods and assumptions were used to estimate the fair value for each class of financial instruments:

(i) **Cash and cash equivalents, pledged bank deposits, trade and other receivables, advance deposits, trade and other payables, advance receipts and amount due to a shareholder and amounts due to non-controlling shareholders of subsidiaries**
The carrying values approximate fair value because of the short maturities of these instruments.

(ii) **Borrowings and Obligations under finance leases**
The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

(iii) **Derivatives**
Interest rate swap agreements are valued using a Discounted Cashflow model mainly based on independently sourced market data. Future cashflows for floating rate indices are implied from market curves. All future cashflows are then discounted back to the valuation date to arrive at the fair market value.

(iv) **Interest rates used for determining fair value**
The Group uses the appropriate market yield curve or benchmark rate as of 31 December 2010 plus an appropriate constant credit spread to calculate the fair value of its interest bearing debt.

(v) **Convertible bonds**
Appropriate valuation methods and assumptions with reference to market conditions existing at the end of each reporting period to determine the fair value of the embedded financial derivative of the convertible bonds that is separated from the host debt contract are adopted. The basis for determining the fair value is disclosed in note 33.

Commodity price risk management

The Group is exposed to commodity price risk due to certain factors, such as level of demand and supply in the market and government policy and regulations. Such exposure mainly arises from its purchase of raw materials and the profit margin on sale of its finished products may be affected if the increase in cost of raw materials increases and the Group is unable to pass such cost increases to its customers. In addition, the Group is also subject to fluctuations in the selling price of its finished products due to competition and market demand.

The Group does not have any formal hedging policy for such exposure. However, the Group will closely monitor the costing and consider to take appropriate action should the need arise.

Price risk management

The Group has no any investment held for trading as at 31 December 2010, therefore, no price risk exposed to the Group at the year ended.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debt.

During the year ended 31 December 2010, the Group's strategy remained unchanged as compared to that of 2009. Management of the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowing divided by total equity.

The management considers the gearing ratio at the year end date is as follows:

	2010 HK$'000	2009 HK$'000
Borrowings, net of cash and bank balance	**192,012**	200,831
Convertible notes	**62,172**	181,875
Obligations under finance leases	**169**	995
Total debts	**254,353**	383,701
Total assets	**2,781,054**	1,092,414
Total debts to total assets ratio	**0.09**	0.35

The decrease in the gearing ratio during year resulted primarily from the issue of new shares arising from the top-up placing in April 2010. After the completion of the top-up placing, the Company has received the proceeds of approximately HK$191,549,000, which has resulted in the improvement in the gearing ratio of the Group.

6. SEGMENT INFORMATION

The accounting policies of the operating segments are the same as the Group's accounting policies in the preparation of the Group's annual financial statements.

The Group's operating segments are identified on the basis of annual reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. Specifically, segment information reported externally was analysed on the basis of the types of goods supplied provided by the Group's operating divisions, which is the same information reported to the chief operating decision maker.

6. SEGMENT INFORMATION *(Continued)*

The Group's operating segments are as follows:

— Property Investment Business Segment engages in leasing of investment properties in the PRC.

— Property Development Business Segment engages in development of property project in The People's Republic of China (the "PRC").

— Wah Yuen Foods Business Segment engages in production and distribution of snack food, convenient frozen food and other food products.

— Seabuckthorn Business Segment engages in cultivation of seabuckthorn, as well as manufacture, sales, research and development of seabuckthorn-related health products.

During the year, the Group disposed its equity interest in a subsidiary engaging in Seabuckthorn Business and the disposal was completed in September 2010. Seabuckthorn Business is classified as discontinued operation. The remaining three operating segments, namely Property Development Business, Property Investment Business and Wah Yuen Foods Business are classified as continuing operations of the Group for both years.

6. SEGMENT INFORMATION *(Continued)*

Segment revenues and results

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

For the year ended 31 December 2010

	Continuing Operations				Discontinued Operation	
	Property Investment HK$'000	Property Development HK$'000	Wah Yuen Foods HK$'000	Subtotal HK$'000	Seabuckthorn HK$'000	Total HK$'000
TOTAL REVENUE AND EXTERNAL SALES	—	926,688	64,153	990,841	12,388	1,003,229
RESULT						
Segment operating results before impairment charges	(3,069)	381,551	(9,738)	368,744	(10,601)	358,143
Fair value gain in respect of investment properties transferred from inventory of properties	478,343	—	—	478,343	—	478,343
Gain on disposal of a subsidiary	—	—	—	—	3,548	3,548
Unallocated corporate income				152	—	152
Unallocated corporate expense				(44,470)	—	(44,470)
Profit (loss) from operations				802,769	(7,053)	795,716
Finance costs				(22,890)	(205)	(23,095)
Profit (loss) before tax				779,879	(7,258)	772,621
Income tax expenses				(265,776)	(41)	(265,817)
Profit (loss) for the year				514,103	(7,299)	506,804

6. SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

For the year ended 31 December 2009

	Continuing Operations				Discontinued Operation	
	Property Investment HK$'000	Property Development HK$'000	Wah Yuen Foods HK$'000	Subtotal HK$'000	Seabuck-thorn HK$'000	Total HK$'000
TOTAL REVENUE AND EXTERNAL SALES	—	—	65,612	65,612	34,842	100,454
RESULT						
Segment operating results before impairment charges	—	(2,822)	(25,243)	(28,065)	(12,986)	(41,051)
Change in fair value of derivative financial instruments	—	—	(5,303)	(5,303)	—	(5,303)
Change in fair value of biological assets less estimated point-of-sales cost	—	—	—	—	(23,284)	(23,284)
Impairment on goodwill	—	—	—	—	(69,904)	(69,904)
Impairment on properties, plant and equipment	—	—	(39,888)	(39,888)	—	(39,888)
Impairment on trade receivables	—	—	(102,301)	(102,301)	—	(102,301)
Write-off on inventories	—	—	(6,589)	(6,589)	(92)	(6,681)
Unallocated corporate income				3,734	—	3,734
Unallocated corporate expense				(15,519)	—	(15,519)
Loss from operations				(193,931)	(106,266)	(300,197)
Finance costs				(34,803)	(160)	(34,963)
Loss before tax				(228,734)	(106,426)	(335,160)
Income tax credit (paid)				3,163	(34)	3,129
Loss for the year				(225,571)	(106,460)	(332,031)

6. SEGMENT INFORMATION *(Continued)*

Statement of Financial Position

	Continuing Operations						Discontinued Operation			
	Property Investment		Property Development		Wah Yuen Foods		Seabuckthorn		Consolidated	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
ASSETS										
Goodwill and intangible assets	—	—	174,605	174,605	—	—	—	962	174,605	175,567
Biological assets	—	—	—	—	—	—	—	4,560	—	4,560
Properties under development	2,872	—	955,323	412,168	—	—	—	—	958,195	412,168
Investment properties	982,353	—	—	—	—	—	—	—	982,353	—
Other assets	8,895	—	485,238	191,187	147,509	194,384	—	107,241	641,642	492,812
Segment assets	994,120	—	1,615,166	777,960	147,509	194,384	—	112,763	2,756,795	1,085,107
Unallocated corporate assets									24,259	7,307
Consolidated total assets									2,781,054	1,092,414
LIABILITIES										
Segment liabilities	26,533	—	1,232,560	502,070	35,455	74,374	—	49,908	1,294,548	626,352
Unallocated corporate liabilities									130,939	176,642
Consolidated total liabilities									1,425,487	802,994
OTHER INFORMATION										
Amortisation of prepaid lease payments	—	—	—	—	179	179	17	23	196	202
Additions to properties, plant and equipment	3,975	—	8,563	355	153	1,027	8,586	10,826	21,277	12,208
Depreciation of properties, plant and equipment	383	—	1,238	93	6,458	6,175	3,068	4,204	11,147	10,472
Additions to investment properties	982,353	—	—	—	—	—	—	—	982,353	—
Write-off of intangible assets	—	—	—	—	—	—	—	52	—	52

6. SEGMENT INFORMATION *(Continued)*

Information of major customers

The revenues from external customers are attributed to places on the basis of the customer's location. For the year ended 31 December 2010, no single external customers accounted for 10% or more of the Group's total revenue.

For the year ended 31 December 2009, included in revenues of Wah Yuen Foods Business of HK$65,612,000 are revenues of HK$36,954,000 which arose from sales to the food business's three major customers and each major customer accounted for above 10% of the Group's total turnover.

7. TURNOVER AND OTHER OPERATING INCOME

Turnover represents revenue arising from sale of properties, snack food and convenience frozen food products for the year.

An analysis of turnover and other operating income is as follows:

	2010 **HK$'000**	2009 HK$'000 (restated)
Continuing operations		
Sales of properties	**926,688**	—
Sales of goods to outside customers	**64,153**	65,612
	990,841	65,612
Other operating income:		
Exchange gain	**99**	1,589
Gain on disposal of a subsidiary	—	37
Interest income from bank deposits	**1,624**	227
Sundry income	**1,665**	1,881
Total other operating income	**3,388**	3,734
Total income	**994,229**	69,346

8. FINANCE COSTS

	2010 HK$'000	2009 HK$'000 (restated)
Continuing operations		
Interest expense on bank loans, overdrafts and other borrowings wholly repayable within five years	**49,427**	7,240
Interest expense on obligations under finance leases	**—**	102
Effective interest expense on convertible notes	**11,698**	27,461
	61,125	34,803
Less: amounts capitalised in the cost qualifying assets	**(38,235)**	—
	22,890	34,803

The weighted average capitalisation rate on funds borrowed generally is 6.78% per annum (2009: Nil)

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	2010 HK$'000	2009 HK$'000
Directors' fees, salaries and other benefits	**5,230**	4,246
Retirement benefit scheme contributions	**61**	60
	5,291	4,306

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors' emoluments

For the year ended 31 December 2010

Name of Director	Fees HK$'000	Salaries and other benefits HK$'000	Total HK$'000
EXECUTIVE DIRECTORS			
Mr. But Chai Tong (Note i)	—	604	604
Mr. But Ka Wai (Note ii)	—	485	485
Mr. Ren Qian	120	—	120
Mr. Sun Zhen Yu (Note iii)	58	442	500
Ms. Wang Wenxia	120	2,200	2,320
NON-EXECUTIVE DIRECTORS			
Mr. Zhou Kun	60	341	401
Mr. Duan Chuan Liang (Note iv)	33	724	757
INDEPENDENT NON-EXECUTIVE DIRECTORS			
Mr. Chen Zi Qiang	36	—	36
Ms. Li Ling (Note v)	22	—	22
Mr. Tam Pei Qiang (Note i)	18	—	18
Mr. Wong Chi Ming (Note vi)	14	—	14
Mr. Chan Pok Hiu (Note vi)	14	—	14
	495	4,796	5,291

Notes:

(i) Resigned on 28 June 2010
(ii) Resigned on 25 October 2010
(iii) Resigned on 25 June 2010
(iv) Appointed on 25 October 2010
(v) Resigned on 16 August 2010
(vi) Appointed on 16 August 2010

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

For the year ended 31 December 2009

Name of Director	Fees HK$'000	Salaries and other benefits HK$'000	Total HK$'000
EXECUTIVE DIRECTORS			
Mr. But Chai Tong	—	1,025	1,025
Mr. But Ka Wai	—	1,141	1,141
Mr. Ren Qian	51	—	51
Mr. Sun Zhen Yu	51	529	580
Ms. Wang Wenxia	23	229	252
Mr. But Ching Pui	—	180	180
Mr. Gao Ji Hong	—	150	150
Mr. Ying Wei	—	510	510
NON-EXECUTIVE DIRECTORS			
Mr. Zhou Kun	237	—	237
Ms. Leung Wai Ling	23		23
Ms. Wang Fang	21	—	21
INDEPENDENT NON-EXECUTIVE DIRECTORS			
Mr. Chen Zi Qiang	36	—	36
Ms. Li Ling	15	—	15
Mr. Tam Pei Qiang	18	—	18
Mr. Ip Shing Tong, Francis	27	—	27
Mr. Ku Siu Fung, Stephen	40	—	40
	542	3,764	4,306

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Employees' emoluments

The five highest paid individuals for the year ended 31 December 2010 included two (2009: two) executive directors of the Company. The emoluments of the remaining three (2009: three) individuals are as follows:

	2010 HK$'000	2009 HK$'000
Salaries and other benefits	**2,364**	2,111
Retirement benefit schemes contributions	**24**	57
	2,388	2,168

The emoluments of each of the two (2009: three) highest paid individuals were less than HK$1,000,000.

(c) During the year, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals of the Group (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived any emoluments during the year.

10. INCOME TAX CHARGE (CREDIT)

	2010 HK$'000	2009 HK$'000 (restated)
Continuing operations		
The tax charge (credit) comprises:		
Current tax:		
Hong Kong Profits Tax		
Current year	—	—
Over provision in prior years	—	(80)
PRC Enterprise Income Tax		
Current year	**81,960**	1
Under provision in prior years	—	174
Land appreciation tax ("LAT") in the PRC	**67,386**	—
Current tax charge (credit) for the year	**149,346**	95
Deferred tax charge (credit) for the year (note 37)	**116,430**	(3,258)
	265,776	(3,163)

10. INCOME TAX CHARGE (CREDIT) *(Continued)*

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit arising in Hong Kong for both years.

The Group's PRC enterprise income tax is calculated based on the applicable tax rates on assessable profits, if applicable.

PRC land appreciation tax is levied at the applicable tax rate on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

The tax charge (credit) for the year can be reconciled to the profit (loss) before tax from continuing operations per the consolidated income statement as follows:

	2010 HK$'000	2009 HK$'000 (restated)
Profit (loss) before tax from continuing operations	**779,879**	(228,734)
Tax at PRC Enterprise Income Tax rate of 25% (2009: 25%)	**194,970**	(57,183)
Tax effect of expenses not deductible for tax purposes	**23,831**	54,425
Tax effect of income not taxable for tax purposes	**(28,218)**	(11,215)
Tax effect on temporary differences not recognised	**995**	(3,219)
Under provision in respect of prior year	**—**	94
Tax effect on tax losses not recognised	**1,777**	8,485
Utilisation of tax losses not previously recognised	**(50)**	(49)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**5,085**	5,499
Land appreciation tax	**67,386**	—
Tax charge (credit) for the year (relating to continuing operations)	**265,776**	(3,163)

11. PROFIT (LOSS) FOR THE YEAR

	2010 HK$'000	2009 HK$'000 (restated)
Continuing operations		
Profit (loss) for the year has been arrived at after charging:		
Staff costs, including directors' emoluments (note 9)	**29,390**	21,649
Retirement benefits scheme contributions, including contributions for directors (note 9)	**706**	483
Total staff costs	**30,096**	22,132
Auditors' remuneration	**950**	812
Amortisation of prepaid lease payments	**179**	179
Depreciation		
– owned assets	**7,948**	5,966
– assets held under finance leases	**131**	302
Share-based option expenses	**16,073**	1,859
Write off of inventories	**—**	6,589
Impairment on trade receivables	**—**	102,301
Impairment on goodwill	**—**	69,904
Impairment on properties, plant and equipment	**—**	39,888
Net change in fair value of derivative financial instruments	**—**	5,303
Loss on disposal of properties, plant and equipment	**7**	30
Operating lease rentals paid in respect of rented premises	**4,464**	2,769

12. DISCONTINUED OPERATION

On 21 July 2010, the subsidiary of the Company entered into a sale agreement to dispose of its 50% equity interest in Conseco Seabuckthorn Co., Ltd. ("Conseco Seabuckthorn"), which is engaged in the cultivation of seabuckthorn, as well as manufacture, sales, research and development of seabuckthorn-related health products, to an independent third party at RMB24,430,000. The disposal was completed on 17 September 2010, on which date control of Conseco Seabuckthorn was passed to the acquirer. The disposal is consistent with the Group's long-term policy to focus its activities on the property development business in the PRC.

Due to the disposal of 50% equity interest in Conseco Seabuckthorn during the year ended 31 December 2010, the comparative figures have been re-presented to classify the Seabuckthorn Business as a discontinued operation for the year ended 31 December 2009.

The loss for the period/year from discontinued operation is analysed as follows:

	1.1.2010 to 30.9.2010 HK$'000	1.1.2009 to 31.12.2009 HK$'000
Loss of Seabuckthorn Business for the period/year	**(10,847)**	(106,460)
Gain on disposal of a subsidiary	**3,548**	—
	(7,299)	(106,460)

12. DISCONTINUED OPERATION *(Continued)*

The results of the Seabuckthorn Business for the period/year, which have been included in the profit or loss, were as follows:

	1.1.2010 to 30.9.2010 HK$'000	1.1.2009 to 31.12.2009 HK$'000
Turnover	**12,388**	34,842
Cost of sales	**(13,158)**	(25,840)
Gross (loss) profit	**(770)**	9,002
Other operating income	**1,041**	—
Selling, distribution and administrative expenses	**(10,872)**	(22,080)
Finance costs	**(205)**	(160)
Impairment of goodwill	**—**	(69,904)
Change in fair value of biological assets less estimated point-of-sales costs	**—**	(23,284)
Loss before tax from discontinued operation	**(10,806)**	(106,426)
Income tax expenses	**(41)**	(34)
Loss for the year from discontinued operation	**(10,847)**	(106,460)
Attributable to:		
Owners of the Company	**(4,645)**	(91,077)
Non-controlling interest	**(6,202)**	(15,383)
	(10,847)	(106,460)
Loss for the year from discontinued operation include the following:		
Staff costs	**5,937**	10,548
Retirement benefits scheme contributions	**1,143**	1,147
	7,080	11,695
Auditor's remuneration	**174**	16
Depreciation of properties, plant and equipment	**3,068**	4,204
Write-off of inventories	**—**	92
Amortisation of prepaid lease payment	**17**	23
Loss on disposal of properties, plant and equipment	**—**	66
Write-off of intangible assets	**—**	52
Interest income	**(13)**	—
Cash flows from discontinued operation:		
Net cash outflow from operating activities	**(5,757)**	(3,952)
Net cash outflow from investing activities	**(8,573)**	(10,762)
Net cash inflow from financing activities	**15,831**	15,659
Cash flows from discontinued operation	**1,501**	945

13. DIVIDENDS

The directors do not recommend the payment of a dividend for the years ended 31 December 2010 and 2009.

14. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share is based on the profit attributable to the equity holders of approximately HK$509,534,000 (2009: loss of HK$316,294,000) and on the weighted average ordinary share of 10,944,516,817 (2009: 4,091,644,726) deemed to be in issue during the year.

The calculation of diluted earnings (loss) per share is based on the following data:

From continuing and discontinued operations

	THE GROUP	
	2010 HK$'000	2009 HK$'000
Earnings (loss):		
Earnings (loss) for the purpose of basic earnings (loss) per share	**509,534**	(316,294)
Effect of dilutive potential ordinary shares:		
Interest on convertible notes	**4,761**	9,333
Earnings (loss) for the purpose of diluted earnings (loss) per share	**514,295**	(306,961)

	2010 Shares	2009 Shares
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share	**10,944,516,817**	4,091,644,726
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**94,143,401**	6,183,084
Convertible notes	**1,812,222,222**	3,256,666,667
Weighted average number of ordinary shares for the purposes of diluted earnings (loss) per share	**12,850,882,440**	7,354,494,477

From continuing operations

	THE GROUP	
	2010 HK$'000	2009 HK$'000 (restated)
Profit (loss) for the year attributable to owners of the Company:	**509,534**	(316,294)
Less:		
Loss for the year from discontinued operation	**(1,097)**	(91,077)
Earnings (loss) for the purpose of basic earnings (loss) per share	**508,437**	(407,371)
Effect of dilutive potential ordinary shares:		
Interest on convertible notes	**4,761**	9,333
Earnings (loss) for the purpose of diluted earnings (loss) per share	**513,198**	(398,038)

Diluted loss per share for the year ended 31 December 2009 were not presented because the impact of the conversion of convertible bonds and the exercise of share options was anti-dilutive.

15. PREPAID LEASE PAYMENTS

The Group's interest in land use rights and leasehold land represented prepaid operating lease payments and their carrying values are analysed as follows:

	2010 HK$'000	2009 HK$'000
Cost		
At 1 January	4,834	4,834
Exchange difference	128	
Derecognised on disposal of a subsidiary (note 44)	(1,066)	—
At 31 December	3,896	4,834
Accumulated amortisation		
At 1 January	1,957	1,755
Exchange difference	56	—
Derecognised on disposal of a subsidiary (note 44)	(64)	
Amortisation for the year	196	202
At 31 December	2,145	1,957
Carrying values		
At 31 December	1,751	2,877

The land use rights and leasehold land of the Group as at 31 December 2010 are held on medium term leases and situated in the PRC and Hong Kong respectively.

	2010 HK$'000	2009 HK$'000
In Hong Kong	219	226
In the PRC	1,532	2,651
	1,751	2,877

16. PROPERTIES, PLANT AND EQUIPMENT

THE GROUP

	Buildings HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Plant, and machinery HK$'000	Construc-tion in progress HK$'000	Loose tools and moulds HK$'000	Total HK$'000
COST							
At 1 January 2009	93,361	39,056	8,910	160,426	1,278	189	303,220
Addition	23	557	599	1,775	8,899	—	11,853
Acquisition of subsidiaries	—	113	242	—	—	—	355
Impairment	(22,032)	(11,703)	—	(64,660)	—	—	(98,395)
Disposals	(159)	(12)	(1,046)	—	(66)	—	(1,283)
Derecognised on disposal of a subsidiary	—	(151)	—	—	—	—	(151)
At 31 December 2009 and 1 January 2010	71,193	27,860	8,705	97,541	10,111	189	215,599
Exchange difference	1,934	854	234	2,410	81	—	5,513
Additions	818	5,093	3,380	867	7,103	—	17,261
Acquisition of subsidiaries (note 39)	—	274	3,742	—	—	—	4,016
Disposals	—	(8)	—	—	—	—	(8)
Derecognised on disposal of a subsidiary (note 44)	(32,525)	(2,490)	(3,442)	(31,474)	(17,295)	—	(87,226)
At 31 December 2010	41,420	31,583	12,619	69,344	—	189	155,155
DEPRECIATION AND IMPAIRMENT							
At 1 January 2009	15,076	23,478	6,140	62,481	—	189	107,364
Provided for the year	1,819	1,544	438	6,671	—	—	10,472
Impairment	(8,608)	(7,211)	—	(42,688)	—	—	(58,507)
Eliminated on disposals	(118)	(2)	(1,046)	—	—	—	(1,166)
Eliminated on disposal of a subsidiary	—	(31)	—	—	—	—	(31)
At 31 December 2009 and 1 January 2010	8,169	17,778	5,532	26,464	—	189	58,132
Exchange difference	242	327	(11)	762	—	—	1,320
Provided for the year	1,700	2,143	1,248	6,056	—	—	11,147
Acquisition of subsidiaries (note 39)	—	49	569	—	—	—	618
Eliminated on disposals	—	(1)	—	—	—	—	(1)
Eliminated on disposal of a subsidiary (note 44)	(2,463)	(797)	(678)	(8,088)	—	—	(12,026)
At 31 December 2010	7,648	19,499	6,660	25,194	—	189	59,190
CARRYING VALUES							
At 31 December 2010	33,772	12,084	5,959	44,150	—	—	95,965
At 31 December 2009	63,024	10,082	3,173	71,077	10,111	—	157,467

Details of the pledged of properties, plant and equipment as at 31 December 2010 and 2009 are set out in note 40.

16. PROPERTIES, PLANT AND EQUIPMENT *(Continued)*

The carrying value of properties, plant and equipment of the Group held under finance leases included above is as follows:

	2010 HK$'000	2009 HK$'000
Motor vehicles	**152**	847
Plant and machinery	**—**	10,820
	152	11,667

17. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2010 HK$'000	2009 HK$'000
Unlisted shares, at cost	**106,022**	74,772
Amounts due from subsidiaries	**1,312,376**	424,385
Amounts due to subsidiaries	**(708,281)**	(116,884)
	710,117	382,273

The carrying value of the unlisted shares is based on the book values of the underlying net assets of the subsidiaries attributable to the Group as at the date on which the Company became the ultimate holding company of the Group pursuant to the group reorganisation undertaken in preparation for the listing of the Company's shares on the Stock Exchange in 2003 (the "Group Reorganisation").

The amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment terms. In the opinion of the directors, the amounts will not be repayable within one year from the end of reporting period. Accordingly, such amounts have been classified as non-current. The directors consider that the amounts due from subsidiaries approximate their fair value.

Particulars of the Company's principal subsidiaries as at 31 December 2010 are set out in note 47.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

18. INVESTMENT PROPERTIES

	2010 HK$'000	2009 HK$'000
At fair value		
At 1 January	—	—
Transfer from properties under construction	**504,010**	—
Change in fair value	**478,343**	—
At 31 December	**982,353**	—

The Group's investment properties are held under medium term lease and are situated in the PRC.

The fair values of the Group's investment properties at 31 December 2010 have been arrived at on the basis of a valuation carried out at that date by Norton Appraisals Limited, independent qualified professional valuers not connected to the Group. Norton Appraisals Limited is member of the Hong Kong Institute of Valuers, and has appropriate qualifications and recent experience in the valuation of properties in relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

All of the Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

19. GOODWILL

On 18 December 2009, the Group acquired 100% of the shares of China Water Property (Hong Kong) Group Limited (formerly named: Wealth Full Global Investment Limited), an unlisted company based in the PRC. It holds properties under development. The existing strategic management function and associated processes were acquired with the property, and as such, the Directors consider this transaction the acquisition of a business, rather than an asset acquisition.

Goodwill acquired through business combinations has been allocated to the property development cash-generating unit ("CGU") which were reportable segments, for impairment testing. Goodwill allocated to the Seabuckthorn Business was fully impaired in 2009 and the Seabuckthorn Business has been disposed of during the year.

19. GOODWILL *(Continued)*

The amount of goodwill capitalised as an asset in the consolidated statement of financial position, arising from business combination and the carrying value of goodwill was allocated to cash generating units as follows:

	Seabuckthorn Business HK$'000	Property Development Business HK$'000	Total HK$'000
COST			
At 1 January 2009	182,339	—	182,339
Acquisition of a subsidiary (note 39(iv))	—	174,605	174,605
Disposal of a subsidiary	(10,726)	—	(10,726)
At 31 December 2009 and 1 January 2010	171,613	174,605	346,218
Disposal of a subsidiary	(171,613)	—	(171,613)
At 31 December 2010	—	174,605	174,605
IMPAIRMENT			
At 1 January 2009	108,859	—	108,859
Disposal of a subsidiary	(7,150)	—	(7,150)
Impairment loss recognised	69,904	—	69,904
At 31 December 2009 and 1 January 2010	171,613	—	171,613
Disposal of a subsidiary	(171,613)	—	(171,613)
At 31 December 2010	—	—	—
CARRYING VALUES			
At 31 December 2010	—	174,605	174,605
At 31 December 2009	—	174,605	174,605

Impairment testing on Goodwill

Goodwill is assessed for impairment annually irrespective of whether there is any indication of impairment.

Property development

The goodwill tested for impairment is allocated to the group of CGUs that constitute Property Development Business and represents the portfolio premium paid on acquisition (that is, the amount paid in excess of the aggregate of the individual fair values of the portfolio). This reflects the cost saved by the Group were it to assemble such a portfolio itself.

19. GOODWILL *(Continued)*

Property development *(Continued)*

The recoverable amount of property development unit have been determined based on a value in use calculation represented by the management using cash flow projections based on financial budgets covering a four-year period. The discount rate applied to the cash flow projections is 7.55%. Cash flow beyond the four-year period is determined by extrapolation from the average growth rate with specific risks relating to property development in the PRC. Other key assumptions for the value in use calculation relate to the estimation of cash receipts and outlays including budgeted sales and gross margin.

Impairment of the goodwill is tested using a value in use method. The key assumption used in testing the goodwill for impairment is that, on a disposal, a portfolio premium would be achieved over the aggregate of the individual fair values. The directors base this assumption on their observations of premium achieved in recent market transactions.

The value calculated by using the discount rate is higher than the carrying amount of the CGU, accordingly, the management of the Group determined that there is no impairment of its goodwill at 31 December 2010.

20. BIOLOGICAL ASSETS

	THE GROUP Seabuckthorn bushes	
	2010 HK$'000	2009 HK$'000
At 1 January	**4,560**	27,844
Exchange difference	**87**	—
Disposal of a subsidiary (note 44)	**(4,647)**	—
Change in fair value less estimated point-of-sales costs of biological assets	—	(23,284)
At 31 December	—	4,560

Biological assets represented seabuckthorn bushes planted on land with Forest Tree Rights and situate in Inner Mongolia Autonomous Region, Shannxi Province and Shanxi Province.

21. INTANGIBLE ASSETS

The amount of intangible assets represent trademark fee, patent fee and development costs of seabuckthorn products:

THE GROUP	Trademark and patent HK$'000	Development costs HK$'000	Total HK$'000
COST			
At 1 January 2009	196	818	1,014
Write-off during the year	(52)	—	(52)
At 31 December 2009 and 1 January 2010	144	818	962
Exchange difference	3	16	19
Disposal of a subsidiary (note 44)	(147)	(834)	(981)
At 31 December 2010	—	—	—

22. INVENTORIES

	THE GROUP	
	2010 HK$'000	2009 HK$'000
Raw materials	**4,073**	9,294
Work in progress	**—**	2,923
Finished goods	**5,778**	20,831
	9,851	33,048

None of the inventories of the Group carried at net realisable value at the end of the reporting period.

23. INVENTORY OF PROPERTIES

	THE GROUP	
	2010 HK$'000	2009 HK$'000
Beginning of the year	**412,168**	—
Construction costs incurred	**744,061**	—
Capitalisation of interest	**38,235**	—
Acquisition of subsidiaries	**723,434**	412,168
Disposal recognised in cost of sales	**(467,789)**	—
Transfer to investment properties	**(504,010)**	—
Exchange difference	**12,096**	—
End of the year	**958,195**	412,168

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

23. INVENTORY OF PROPERTIES *(Continued)*

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Properties under development	**818,972**	412,168
Properties held for sale	**139,223**	—
	958,195	412,168

Inventory of properties are located in Mainland China and are located on land held under medium term lease or long term lease.

As at 31 December 2010, approximately HK$341,790,000 (2009: HK$181,320,000) of the Group's properties under development were pledged as collaterals for the Group's banking facilities (note 40).

Properties under development are expected to be completed and available for sale within twelve months after the end of the reporting period.

24. TRADE AND OTHER RECEIVABLES

There is no concentration of credit risk with respect to trade receivables from the property development business, as the Group has a large number of customers.

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Trade receivables	**24,953**	128,215
Less: Allowance for doubtful debts	**—**	(102,301)
	24,953	25,914
Prepayments for construction work	**85,930**	60,507
Receivables on disposal of subsidiaries	**15,599**	5,681
Refundable deposit placed on acquisition of a property development project in PRC	**71,636**	—
Other receivables, prepayments and other deposits	**27,612**	30,421
	225,730	122,523

24. TRADE AND OTHER RECEIVABLES *(Continued)*

An ageing analysis of trade receivables (net of allowance for bad and doubtful debts) is as follows:

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Within 90 days	**10,303**	12,850
91 to 180 days	**1,437**	1,709
Over 180 days	**13,213**	11,355
Trade receivables	**24,953**	25,914

The Directors consider that the carrying amount of trade and other receivables approximate to their fair value.

For the property development business, the Group does not grant any credit terms to its customers and does not hold any collaterals over these receivables.

The trading term with the food business segment is mainly on credit. The average credit period on sales of goods is 90 days. The Group normally provides fully for all receivables overdue 365 days based on the estimations on prior experiences and the assessment of payment performance under current economic environment. When the Group is satisfied that no recovery of the amount owing is possible, the amount considered irrecoverable is written off against the financial asset and recognised in the profit or loss accordingly. The balances of the allowance for doubtful debts are individually impaired trade receivables which had been overdue 365 days or/and have no material transactions with the Group during the year. The Group does not hold any collateral over these balances.

Movement in allowance for doubtful debts

	2010	2009
	HK$'000	HK$'000
Balance at beginning of the year	**102,301**	41,735
Amounts written off as uncollectible	**(102,301)**	(41,735)
Increase in allowance recognised in consolidated income statement	**—**	102,301
Balance at end of the year	**—**	102,301

25. DERIVATIVE FINANCIAL INSTRUMENTS

	2010 HK$'000	2009 HK$'000
Financial assets		
Foreign currency forward contracts		
At 1 January	—	50
Realised loss on disposal	—	(50)
At 31 December	—	—
Exchange rate swap		
At 1 January	**1,511**	6,814
Realised on disposal	**(1,511)**	(5,303)
At 31 December	—	1,511
Total financial assets	—	1,511
Financial liabilities		
Foreign currency forward contracts		
At 1 January	—	(1,831)
Realised gain on disposal	—	1,831
At 31 December	—	—

26. CASH AND BANK BALANCES

	THE GROUP	
	2010 HK$'000	2009 HK$'000
Cash and bank balances	**263,602**	164,646
Pledged bank deposits (note 40)	**9,978**	13,973
	273,580	178,619

Cash and bank balances carry interest at market rates which range from 0.01% to 2.75% (2009: 0.01% to 2.43%) per annum. The pledged fixed deposits carry interest rate 0.04% (2009: 0.03%) per annum.

Pledged bank deposits represents deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to HK$9.98 million (2009: HK$13.97 million) have been pledged to secure bank overdrafts and short-term bank loans and are therefore classified as current assets. The pledged bank deposits will be released upon the settlement of relevant borrowings.

27. TRADE AND OTHER PAYABLES

The following is an ageing analysis of the Group's trade payables at the end of the reporting period:

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Within 90 days	**296,840**	99,174
91 to 180 days	**3,374**	723
Over 180 days	**7,469**	6,685
Trade payables	**307,683**	106,582
Consideration payables for acquisition of a subsidiary	**—**	48,864
Interest payables	**14,013**	22,074
Other payables	**55,688**	27,023
	377,384	204,543

Trade payables principally comprise amounts outstanding for purchase of construction materials and construction work of properties under development and investment properties.

The directors consider that the carrying amount of trade and other payables approximate to their fair value.

28. DEPOSITS RECEIVED FOR SALE AND LEASE OF PROPERTIES

The amounts which are expected to be realised in more than twelve months after the reporting date are classified under current liabilities as it is within the Group's normal operating cycle. The amounts that are expected by the management to be realised in the coming twelve months after the reporting date are HK$77,837,000 (2009: nil)

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Deposits received for sale of properties	**60,006**	—
Deposits received for lease of properties	**17,831**	—
	77,837	—

29. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Amounts payable under finance leases:				
Within one year	**169**	620	**169**	618
In the second to fifth year inclusive	**—**	377	**—**	377
	169	997	**169**	995
Less: Future finance charges	**—**	(2)	**—**	N/A
Present value of lease obligations	**169**	995	**169**	995
Less: Amount due for settlement within twelve months (shown under current liabilities)			**(169)**	(618)
Amount due for settlement after twelve months			**—**	377

It is the Group's policy to lease certain of its plant and machinery and motor vehicles under finance leases. The average lease term is three years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

Finance lease obligations are denominated in Hong Kong dollars, same as the functional currency of the Group.

30. AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

The amounts due to non-controlling shareholders of subsidiaries are unsecured, interest free and have no fixed terms of repayment.

31. AMOUNT DUE TO A SHAREHOLDER

	The Group		The Company	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Unsecured and bearing interest at 8% per annum and fully settled in March 2011	**50,000**	—	**50,000**	—
Unsecured and non-interest bearing, with no fixed terms of repayment	**2,246**	—	**1,714**	—
	52,246	—	**51,714**	—

32. BORROWINGS

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Bank overdrafts	**1,297**	5,202
Bank loans	**452,530**	365,328
Other loans	**11,765**	8,920
	465,592	379,450
Analysis as:		
Secured (note 40)	**453,827**	365,328
Unsecured	**11,765**	14,122
	465,592	379,450
The maturity profile of the above borrowings is as follows:		
On demand or within one year	**171,474**	241,575
More than one year, but not exceeding two years	**294,118**	137,875
	465,592	379,450
Less: amount due within one year shown under current liabilities	**(171,474)**	(241,575)
	294,118	137,875

The trust receipts loans, bank overdrafts and bank loans carry interest at the prevailing market rates.

According to HK Int 5 which requires the classification of whole term loans containing the repayment on demand clause as current liabilities, the aggregate carrying amounts of HK$6,950,000 have been reclassified from non-current liabilities to current liabilities as at 31 December 2010.

The directors consider that the carrying amount of borrowings approximate their fair value.

33. CONVERTIBLE NOTES

On 13 November 2007, the Company issued convertible notes with an aggregate principal amount of HK$180,050,000 ("2017 Notes"), due on 13 November 2017 and bearing interest at 3% per annum payable semi-annually in arrear. The 2017 Notes was issued as part of the consideration for the acquisition of the entire issued share capital of China Environmental Water Holdings Limited. The 2017 Notes is convertible into fully paid ordinary shares with a par value of HK$0.01 each of the Company at an initial conversion price of HK$0.15, subject to adjustment.

On 28 November 2007, the Company issued convertible notes with an aggregate principal amounts of HK$122,000,000 ("2010 Notes"), due on 28 November 2010 and bearing interest at 3% per annum payable semi-annually in arrear through a placing agent to certain independent third parties. Unless previously redeemed, converted or purchased and cancelled, the 2010 Notes will be redeemed at 135.32% of the principal amount on the maturity date. The 2010 Notes are convertible at any time on or after 28 November 2007 until 10 business days prior to the maturity date by the noteholders into fully paid ordinary shares of HK$0.01 each of the Company. Subject to adjustments upon the occurrence of dilution events or other features stipulated in the placing agreement, the conversion price for the 2010 Notes will be HK$1.43 per share.

According to the terms of conditions of 2010 Notes, on the date falling 24 months following the issue date, the noteholders will have the right, at such noteholders' option, to require the Company to redeem in whole or in part the 2010 Notes at a price at which a yield of 13% per annum calculated for each HK$100,000 of unpaid principal amount of the 2010 Notes on a semi-annual basis ("Early Redemption Price") from 28 November 2007 up to the relevant redemption date.

According to the terms and condition of 2010 Notes, on the date falling 18 months following issue date, the Company may redeem in whole but not in part at the Early Redemption Price in the event that (i) the closing price of the shares exceeds of the conversion price for at least 30 consecutive trading days prior to the date upon which notice of such redemption is given or (ii) at least 90% in principal amount of 2010 Notes has already been redeemed, converted, repurchased or cancelled.

During the year ended 31 December 2008, the conversion price of 2010 Notes was adjusted from HK$1.43 to HK$1.44 effective from 28 November 2008 in accordance with the price reset mechanism. On 11 August 2009, the conversion price of 2010 Notes has been effectively adjusted from HK$1.144 to HK$0.4 as a result of the deed of alteration entered into between the Company and the noteholders on 14 July 2009.

During the year ended 31 December 2009, the conversion price of 2010 Notes was adjusted from HK$0.4 to HK$0.121 effective from 27 October 2009 on the completion of the open offer of 5,777,031,245 shares at a subscription price of HK$0.05, on 15 October 2009.

The conversion price of 2017 Notes was adjusted from HK$0.15 to HK$0.045 in accordance with the terms set out in the placing agreement.

33. CONVERTIBLE NOTES *(Continued)*

The fair value of the liability component was determined at issuance of the notes. The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible note. The residual amounts represent the value of the equity component and are included in shareholders' equity. The effective interest rates of the liability component are ranging from 7.55% to 14.1% per annum. The movement of the liability component and equity component of 2017 Notes and 2010 Notes for the year is set out below:

	THE GROUP AND THE COMPANY		
	2017 Notes HK$'000	**2010 Notes** HK$'000	**Total** HK$'000
Liability component at 1 January 2009	128,207	133,949	262,156
Interest charge	9,332	18,129	27,461
Interest paid	(5,113)	(3,406)	(8,519)
Converted into ordinary shares	(24,451)	(20,466)	(44,917)
Redemption	—	(54,306)	(54,306)
Carrying amount at 31 December 2009 and 1 January 2010	107,975	73,900	181,875
Interest charge	5,702	5,996	11,698
Interest paid	(3,047)	(1,079)	(4,126)
Converted into ordinary shares	(48,458)	(5,670)	(54,128)
Redemption	—	(73,147)	(73,147)
	62,172	—	62,172

Analysis of current and non-current portion:

	2010 HK$'000	2009 HK$'000
Current portion	—	73,900
Non-current portion	**62,172**	107,975
Total	**62,172**	181,875

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

34. SHARE CAPITAL

THE GROUP AND THE COMPANY

	Number of ordinary shares	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2009	4,000,000,000	40,000
Increase during the year (Note a)	16,000,000,000	160,000
At 31 December 2009 and 1 January 2010	20,000,000,000	200,000
Increase during the year (Note b)	30,000,000,000	300,000
At 31 December 2010	50,000,000,000	500,000
Issued and fully paid:		
At 1 January 2009	691,937,500	6,919
Open offers (Note c)	6,122,999,995	61,230
Issue of shares on conversion of 2010 Notes (Note d)	100,144,628	1,002
Issue of shares on conversion of 2017 Notes (Note e)	511,111,110	5,111
Issue of shares on placing (Note f)	207,580,000	2,076
Issue of shares on acquisition of subsidiaries (Note g)	846,228,234	8,462
At 31 December 2009 and 1 January 2010	8,480,001,467	84,800
Issue of shares on exercise of share options (Note h)	60,113,268	601
Issue of shares on top-up placing (Note i)	1,386,000,000	13,860
Issue of shares on conversion of 2010 Notes (Note j)	37,190,082	372
Issue of shares on conversion of 2017 Notes (Note k)	1,444,444,443	14,444
Issue of shares on acquisition of subsidiaries (Note l)	1,106,475,716	11,065
At 31 December 2010	12,514,224,976	125,142

Notes:

(a) Pursuant to the ordinary resolution passed in the Extraordinary General Meeting of the Company held on 21 September 2009, the authorised share capital of the Company was increased from HK$40,000,000 to HK$200,000,000 by the creation of an additional 16,000,000,000 ordinary shares of HK$0.01 each.

(b) On 10 May 2010, an ordinary resolution was passed by the shareholders of the Company at the extraordinary general meeting to increase authorised share capital of the Company from HK$200,000,000 (divided into 20,000,000,000 ordinary shares) to HK$500,000,000 (divided into 50,000,000,000 ordinary shares) by creating an additional 30,000,000,000 unissued ordinary shares of the Company.

(c) On 1 April 2009, 345,968,750 shares were issued at HK$0.08 each on the basis of one rights share for every two existing shares. Pursuant to the right issue agreement, an amount of approximately HK$15,823,000 of the consideration for the issue of new shares was settled by the shareholder's loan and the remaining balance was settled by cash. On 15 October 2009, 5,777,031,245 shares were issued at HK$0.05 each on the basis of five rights shares for every one existing share.

34. SHARE CAPITAL *(Continued)*

(d) On 23 September 2009 and 18 December 2009, 2010 Notes with principal amount of HK$7,000,000 and HK$10,000,000 were converted into 17,500,000 and 82,644,628 ordinary shares at the conversion price of HK$0.4 and HK$0.121, respectively.

(e) During the year ended 31 December 2009, details of conversion of certain 2017 Notes were set out below:

Date	Principal amount of 2017 Notes converted	No. of ordinary shares issued	Conversion price per share
	HK$		HK$
22 June 2009	10,000,000	66,666,666	0.15
19 August 2009	5,000,000	33,333,333	0.15
18 November 2009	5,000,000	111,111,111	0.045
8 December 2009	13,500,000	300,000,000	0.045
		511,111,110	

(f) On 27 November 2009, 207,580,000 shares were issued by placing at HK$0.142 per share.

(g) On 23 December 2009, 846,228,234 shares were issued at HK$0.141 per share as partial consideration in exchange for the entire equity interest of a subsidiary (note 39 (iv)).

(h) On 11 February 2010 and 9 April 2010, 10,018,878 and 50,094,390 ordinary shares were issued for cash consideration of HK$530,000 and HK$6,903,007 respectively, upon exercise of share options at an exercise price of HK$0.0529 and HK$0.1378 respectively.

(i) On 12 April 2010, 1,386,000,000 ordinary shares were issued by the Company as a result of the top-up placing agreement dated 31 March 2010. Shares were issued at a price of HK$0.146 giving the gross proceeds of approximately HK$202,356,000.

(j) On 9 April 2010, 2010 Notes with principal amount of HK$4,500,000 were converted into 37,190,082 ordinary shares of the Company at the conversion price of HK$0.121.

(k) On 16 April 2010 and 20 May 2010, 2017 Notes with principal amount of HK$30,000,000 and HK$35,000,000 were converted into 666,666,666 and 777,777,777 ordinary shares of the Company respectively, at the conversion price of HK$0.045.

(l) On 25 June 2010 and 10 December 2010, 437,811,333 and 145,937,111 ordinary shares were issued by the Company at HK$0.146 per share, as partial consideration in acquisition of a subsidiary, Hangzhou Pu Tian Property Development Co., Ltd (note 39 (i)).

On 25 June 2010 and 24 December 2010, 392,045,454 and 130,681,818 ordinary shares were issued by the Company at HK$0.15 per share, as partial consideration in acquisition of a subsidiary, HK Mei Lai International (Canada) Limited (note 39 (iii)).

All shares rank *pari passu* with other shares in issue in all respects.

35. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 3 June 2003 for the primary purpose of providing incentives to encourage its participants to perform their best in achieving the goals of the Company and enjoy its result. The participants are any director and eligible employee of the Group; any entity in which any member of the Group holds any equity interest (the "Invested Entity"); any supplier of goods or services and customers to any member of the Group or any Invested Entity; any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; any adviser or consultant to any area of business or business development of any member of the Group or any Invested Entity; any shareholders of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; and any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group, as absolutely determined by the board.

The maximum number of securities which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the share capital of the Company in issue from time to time. The total number of shares which may be allotted and issued upon the exercise of all options to be granted under the Scheme of the Group must not in aggregate exceed 10% of the shares in issue on 25 June 2003, being the date on which the Company's shares were listed on the Stock Exchange. For the purpose of calculating the above, options lapsed in accordance with the Scheme shall not be counted.

The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

The period within which the shares must be taken up under an option of the Scheme shall not be later than 10 years from the date the option is granted. There is no minimum period for which an option must be held before it can be exercised. HK$1 is payable on acceptable of the options within 21 days from the date of grant. The subscription price is the highest of (i) the closing price of the shares quoted in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the shares on the date of the offer for the grant which must be a business day; (ii) the average closing price of the shares as quoted in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a share. The Scheme is valid for 10 years from 3 June 2003. No further options may be granted pursuant to the Scheme after 2 June 2013.

35. SHARE OPTION SCHEME *(Continued)*

The following table discloses details of the Company's options under the Scheme held by employees and consultant and the movements during the year ended 31 December 2010:

Category	Date of grant	Exercise price HK$	Exercise period	At 1 January 2010	Granted during the year	Exercised during the year	Expired during the year	Lapsed during the year	At 31 December 2010
Employees	18.7.2007	0.1378	18.7.2007 to 17.7.2010	60,113,268	—	—	(60,113,268)	—	—
	26.11.2007	0.1208	26.11.2007 to 25.11.2010	60,113,267	—	—	(38,071,736)	(22,041,531)	—
	14.12.2007	0.1118	14.12.2007 to 13.12.2010	20,037,756	—	—	(20,037,756)	—	—
	25.3.2008	0.0529	25.3.2008 to 24.3.2011	120,226,535	—	(10,018,878)	—	(36,067,960)	74,139,697
	3.11.2010	0.1004	3.11.2010 to 2.11.2020	—	284,752,000	—	—	—	284,752,000
Consultants	18.7.2007	0.1378	18.7.2007 to 17.7.2010	50,094,390	—	(50,094,390)	—	—	—
Total				310,585,216	284,752,000	(60,113,268)	(118,222,760)	(58,109,491)	358,891,697

The following table discloses details of the Company's options under the Scheme held by employees and consultant and the movements during the year ended 31 December 2009:

Category	Date of grant	Exercise price HK$	Exercise period	At 1 January 2009	Adjustment due to change in exercise price	At 31 December 2009
Employees	18.7.2007	0.1378	18.7.2007 to 17.7.2010	6,500,000	53,613,268	60,113,268
	26.11.2007	0.1208	26.11.2007 to 25.11.2010	6,000,000	54,113,267	60,113,267
	14.12.2007	0.1118	14.12.2007 to 13.12.2010	2,000,000	18,037,756	20,037,756
	25.3.2008	0.0529	25.3.2008 to 24.3.2011	12,000,000	108,226,535	120,226,535
Consultants	18.7.2007	0.1378	18.7.2007 to 17.7.2010	5,000,000	45,094,390	50,094,390
Total				31,500,000	279,085,216	310,585,216

35. SHARE OPTION SCHEME *(Continued)*

The Group issues equity-settled share-based payments to certain employees and consultant. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. Options granted during the year of 2010 vested at the date of grant.

Total consideration received during the year from directors and employees for taking up the options granted amounted to HK$7,433,000 (2009: Nil). The Group recognised an expense of HK$16,073,000 for the year ended 31 December 2010 (2009: Nil) in relation to share options granted by the Company.

The fair value of the total options granted in the year measured as at the 3 November 2010 was HK$15,180,000. The following significant assumptions were used to derive the fair value using the Trinomial Option Pricing Model:

1. an expected volatility was 40.633%;
2. expected no annual dividend yield;
3. the estimated expected life of the options granted in range (10 years); and
4. the risk free rate was 2.133%.

The Trinomial Option Pricing Model requires the input of highly subjective assumptions, including the volatility of share price. As changes in subjective input assumptions can materially affect the fair value estimated, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

36. RESERVES

THE COMPANY

	Share premium HK$'000	Contributed surplus HK$'000	Convertible notes equity reserve HK$'000	Share options reserve HK$'000	Accumu-lated losses HK$'000	Total HK$'000
At 1 January 2009	85,883	71,463	58,645	8,820	(192,984)	31,827
Issue of shares on open offers	255,299	—	—	—	—	255,299
Issue of shares on conversion of convertible notes	49,599	—	(10,795)	—	—	38,804
Issue of shares on top-up placing	27,400	—	—	—	—	27,400
Issue of shares on acquisition of a subsidiary	110,856					110,856
Shares issue expenses	(6,013)	—	—	—	—	(6,013)
Release from redemption of convertible note	—	—	(909)	—	909	—
Share-based option expenses	—	—	—	1,859	—	1,859
Loss for the year	—	—	—	—	(355,836)	(355,836)
At 31 December 2009 and 1 January 2010	523,024	71,463	46,941	10,679	(547,911)	104,196
Issue of shares on conversion of convertible notes	59,676	—	(20,364)	—	—	39,312
Issue of shares on top-up placing	188,496	—	—	—	—	188,496
Shares issue expenses	(10,807)	—	—	—	—	(10,807)
Issue of shares on acquisition of subsidiaries	152,572	—	—	—	—	152,572
Release from redemption of convertible note	—	—	(1,143)	—	1,143	—
Share-based option expenses	—	—	—	16,073	—	16,073
Exercise of share options	9,127	—	—	(2,295)	—	6,832
Share options lasped/expired	—	—	—	(7,963)	7,963	—
Loss for the year	—	—	—	—	(41,948)	(41,948)
At 31 December 2010	922,088	71,463	25,434	16,494	(580,753)	454,726

The contributed surplus represents the difference between the book values of the underlying net assets of the subsidiaries at the date on which they were acquired by the Company and the nominal amount of the Company's shares issued under the Group Reorganisation.

36. RESERVES *(Continued)*

The Company's reserves available for distribution to its shareholders comprise share premium, contributed surplus and accumulated losses which in aggregate amounted to approximately HK$455 million as at 31 December 2010 (2009: HK$104 million). Under the Companies Law (Revised) of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the payment of distributions or dividends, the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's Articles of Association, dividends shall be payable out of the profits or other reserves, including the share premium account, of the Company.

37. DEFERRED TAX (ASSETS) LIABILITIES

The following are the Group's major deferred tax assets recognised and movements thereon during the current and prior reporting periods:

	Fair value gain on investment properties HK$'000	Revaluation gain arising from business combination HK$'000	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2009	—	—	690	(1,350)	(660)
Credit to the consolidated income statement for the year (note 10)	—	—	(568)	(2,690)	(3,258)
At 31 December 2009 and 1 January 2010	—		122	(4,040)	(3,918)
Acquisition of subsidiaries (note 39 (i) & (iii))	—	111,603	—	—	111,603
Charged (credit) to the consolidated income statement for the year (note 10)	119,585	(7,380)	200	4,025	116,430
At 31 December 2010	119,585	104,223	322	(15)	224,115

As at 31 December 2010, the Group had unused tax losses of HK$25,897,000 (2009: HK$24,482,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$90,000 (2009: asset of HK$3,918,000) of such losses. No deferred tax has been recognised in respect of the remaining HK$25,807,000 (2009: HK$24,482,000) due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

38. RETIREMENT BENEFITS SCHEME

When the Mandatory Provident Fund Schemes Ordinance ("MPFO") came into effect in Hong Kong on 1 December 2000, The Group established a mandatory provident fund scheme with voluntary contributions (the "MPF Scheme") for its employees in Hong Kong.

Prior to the introduction of the MPF Scheme, the Group had operated a defined contribution scheme registered under the Occupational Retirement Schemes Ordinance (the "ORSO Scheme") for its qualified employees in Hong Kong. The ORSO Scheme discontinued in 2001 and the benefits of the employees were transferred to the MPF Scheme. The assets held under the ORSO Scheme which were held separately from those of the Group were also transferred directly to the MPF Scheme. For MPF Scheme, the Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by the employee.

The amounts charged to the consolidated statement of comprehensive incomes represent contributions payable to the schemes by the Group at rates specified in the rules of the schemes less forfeiture, if any, arising from employees leaving the Group prior to completion of their qualifying service period.

The employees employed in the PRC subsidiaries are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

As at the end of the reporting period, there was no significant amount of forfeited contributions available to reduce future contributions.

39. ACQUISITION OF SUBSIDIARIES

(i) On 1 April 2010, China Water Real Property Limited, a wholly owned subsidiary of the Company, entered into the agreement to acquire 60% of the entire equity interest of Hangzhou Pu Tian Property Development Co., Ltd (杭州普天房地產開發有限公司), a PRC company principally engaging in a property development project in Hangzhou City, the PRC. The transaction was completed in June 2010. The total consideration for the transaction was approximately HK$170.5 million (equivalent to RMB150 million) being settled partly in cash of HK$85.2 million (equivalent to RMB75 million) and partly by shares in two tranches. The first tranche, comprising 437,811,333 new shares at an issue price of HK$0.146 per share, was issued on completion of the transaction. The second tranche, comprising 145,937,111 new shares at an issue price of HK$0.146 per share, was issued on 10 December 2010, being six months after the completion. Details of the transaction were set out in the circular of the Company dated 20 April 2010.

39. ACQUISITION OF SUBSIDIARIES *(Continued)*

(i) Details of the net assets acquired in the business combination are as follows:

	Fair value HK$'000
Net assets acquired:	
Properties, plant and equipment	1,612
Inventory of properties	497,687
Deposits, prepayment and other receivables	37,819
Prepaid tax	2,033
Bank balances and cash	2,378
Borrowings	(90,909)
Trade and other payables	(2,923)
Deposits received from pre-sale of inventory of properties	(63,409)
Deferred tax liabilities	(100,198)
	284,090
Non-controlling interests	(113,636)
	170,454
Total consideration satisfied by:	
Cash paid	85,227
Consideration shares issued (note 34 (l))	85,227
Total consideration	170,454
Net cash outflow arising from acquisition:	
Cash consideration paid	85,227
Bank balances and cash acquired	(2,378)
Net cash outflow of cash and cash equivalents in respect of the acquisition	82,849

For the period between the date of acquisition and 31 December 2010, Hangzhou Pu Tian Property Development Co., Ltd contributed approximately HK$79,000,000 to the Group's consolidated turnover and profit of approximately HK$22,000,000 to the Group's profit for the year in consolidated income statement.

39. ACQUISITION OF SUBSIDIARIES *(Continued)*

(ii) On 15 May 2010, Water Property Hubei Limited (formerly named: Hubei Fucheng Property Development Limited) (水務地產湖北有限公司 (前稱: 湖北阜城房地產開發有限公司)), a wholly owned subsidiary of the Company, entered into the agreement to acquire the entire equity interest of Wuhan Kai Yue Properties Development Limited (武漢凱越房地產開發有限公司), a PRC company principally engaging in a property development project in Wuhan City, the PRC. The transaction was completed in July 2010. The total consideration for the transaction was approximately HK$56.8 million (equivalent to RMB50 million) being fully settled by way of cash.

	Fair value HK$'000
Net assets acquired:	
Inventory of properties	33,513
Other receivables and prepayments	21,855
Tax recoverable	48
Bank balances and cash	2,469
Trade and other payables	(1,068)
	56,817
Total consideration satisfied by:	
Cash Paid	56,817
Net cash outflow arising from acquisition:	
Cash consideration paid	56,817
Bank balances and cash acquired	(2,469)
Net cash outflow of cash and cash equivalents in respect of the acquisition	54,348

Since the properties held are still under development, the acquisition has no profit, but loss of approximately HK$4,000,000 contributable to the operation results of the Group, and no revenue has been generated from Wuhan Kai Yue Properties Development Limited.

39. ACQUISITION OF SUBSIDIARIES *(Continued)*

(iii) On 21 May 2010, China Water Property (Hong Kong) Development Limited, a wholly owned subsidiary of the Company, entered into the agreement to acquire 60% of the entire issued share capital of HK Mei Lai International (Canada) Limited, a Hong Kong incorporated company principally engaging in investment holding of a project company in Hangzhou City, the PRC. The transaction was completed in June 2010. The total consideration for the transaction was approximately HK$98.9 million (equivalent to RMB87 million) being partly in cash of HK$20.5 million (equivalent to RMB18 million) and partly by the issue of 392,045,454 new shares of the Company at an issue price of HK$0.15 upon the completion and issue of 130,681,818 new shares of the Company at an issue price of HK$ 0.15 per share to be settled six months after the completion.

Details of the net assets acquired in the business combination are as follows:

	Fair value HK$'000
Net assets acquired:	
Properties, plant and equipment	1,786
Inventory of properties	192,234
Deposits, prepayment and other receivables	1,920
Bank balances and cash	902
Borrowings	(11,363)
Trade and other payables	(3,625)
Amount due to shareholders	(139,124)
Deferred tax liabilities	(11,405)
	31,325
Non-controlling interests	(12,530)
Assignment of partial amounts due to shareholders	80,069
	98,864
Total consideration satisfied by:	
Cash paid	20,454
Consideration shares issued (note 34(l))	78,410
Total consideration	98,864
Net cash outflow arising from acquisition:	
Cash consideration paid	20,454
Bank balances and cash acquired	(902)
Net cash outflow of cash and cash equivalents in respect of the acquisition	19,552

Since the properties held is still under development, the acquisition has no profit, but loss of approximately HK$2,000,000 contributable to the operation results of the Group, and no revenue has been generated from HK Mei Lai International (Canada) Limited and its subsidiary in Hangzhou.

39. ACQUISITION OF SUBSIDIARIES *(Continued)*

(iv) On 18 December 2009, the Group completed the acquisition of the entire issued share capital of China Water Property (Hong Kong) Group Limited ("CWP (HK) Group") (formerly named: Wealth Full Global Investment Limited), a company incorporated in the British Virgin Islands for a total consideration of RMB200,000,000 (equivalent to approximately HK$227,273,000). CWP (HK) Group is principally engaged in development and sale of real estate, and provision of real estate consultancy service in the PRC.

Details of the net assets acquired and goodwill recognised in the business combination were as follows:

	Fair value HK$'000
Net assets acquired:	
Property, plant and equipment	355
Inventory of properties	412,168
Other receivables	60,507
Bank balances and cash	4,612
Trade and other payables	(106,793)
Bank borrowings	(318,181)
	52,668
Goodwill	174,605
	227,273
Total consideration satisfied by:	
Cash paid during the years ended 31 December 2009 and 2010	107,955
Consideration shares issued (note 34(g))	119,318
Total consideration	227,273
Net cash outflow of cash and cash equivalents in respect of the acquisition:	
Cash consideration paid	107,955
Bank balances and cash acquired	(4,612)
Net cash outflow of cash and cash equivalents in respect of the acquisition	103,343

40. PLEDGE OF ASSETS

As at the reporting date, the following assets were pledged by the Group to banks in order to secure general banking facilities granted to the Group, and their respective net book values are as follows:

	2010 HK$'000	2009 HK$'000
Land and buildings together with relevant land use rights situated in the PRC	**341,790**	181,320
Land and buildings situated in Hong Kong	**191**	449
Plant and machinery	**—**	4,906
Bank deposits	**9,978**	13,973
	351,959	200,648

The Company did not have any assets pledged as at the date of reporting period.

41. OPERATING LEASES COMMITMENTS

As at the end of the reporting, the Group and the Company had outstanding commitments under non-cancellable operating leases in respect of rented premises, which fall due as follows:

	THE GROUP		THE COMPANY	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Within one year	**4,179**	2,958	**—**	—
In the second to fifth years inclusive	**2,844**	2,981	**—**	—
More than five years	**—**	4,773	**—**	—
	7,023	10,712	**—**	—

Operating lease payments represent rentals payable by the Group for certain of its office and premises. Leases are negotiated for an average term of two years and rentals are fixed for an average of two years.

42. CAPITAL COMMITMENTS

As at 31 December 2010, the Group had capital commitments in respect of its construction of properties, contracted but not provided in the consolidated financial statements, amounting to HK$161.2 million (2009: 125.9 million).

43. CONTINGENT LIABILITIES

Contingent liabilities at 31 December are analysed as follows:

	THE GROUP		THE COMPANY	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Guarantees given in respect of borrowings and other banking facilities for subsidiaries	**—**	—	**58,725**	100,325

The Company has not recognised any deferred income for the guarantees given in respect of borrowings and other banking facilities as their fair values cannot be reliably measured and their transaction price was HK$Nil.

As at 31 December 2010, the Group had provided guarantees to banks for loans of approximately HK$392 million in respect of the mortgage loans provided by the banks to purchasers of the properties the Group developed and sold. The guarantees are issued from the dates of grant of the relevant mortgage loans and released upon issuance of property ownership certificates.

The Directors consider that the above contingent liabilities are unlikely to materialise. No provision was therefore made in this respect as at 31 December 2010 and 31 December 2009.

44. DISPOSAL OF SUBSIDIARIES

(i) During the year, the Group disposed of its entire interests in Conseco Seabuckthorn.

The net assets of Conseco Seabuckthorn at the date of disposal are as follow:

	2010 HK$'000
Net assets disposed of:	
Properties, plant and equipment	**75,200**
Prepaid lease payment	**1,002**
Intangible assets	**981**
Biological assets	**4,647**
Inventories	**23,980**
Trade and other receivables	**5,509**
Bank balances and cash	**12,199**
Trade and other payables	**(27,696)**
Other short-term borrowings	**(15,924)**
Amount due to minority shareholders of subsidiaries	**(18,681)**
Taxation payables	**(2,399)**
Other secured borrowings	**(405)**
	58,413
Non-controlling interests	**(22,190)**
Release of capital reserve	**(848)**
Release of translation reserve	**(10,182)**
	25,193
Gain on disposal	**3,548**
Total consideration	**28,741**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

44. DISPOSAL OF SUBSIDIARIES *(Continued)*

	2010 HK$'000
Consideration received in cash during the year	**18,823**
Less: cash disposed of	**(12,199)**
Net cash inflow arising on the disposal	**6,624**

(ii) During the year ended 31 December 2009, the Group disposed of its entire interests in Shanghai Worldbest Lanke Biological Product Sales Company Limited, a subsidiary of the Group.

The net liabilities of the subsidiary at the date of disposal were as follow:

	2009 HK$'000
Property, plant and equipment	120
Inventories	258
Trade and other receivables	2,440
Tax recoverable	915
Bank balances and cash	27
Trade and other payables	(1,690)
Amount due to a fellow subsidiary	(6,650)
	(4,580)
Attributable goodwill	3,576
Waiver of amount due to a subsidiary of the Group	6,650
Gain on disposal of a subsidiary	37
Total consideration	5,683
Net cash outflow arising on the disposal	(27)

45. EVENT AFTER THE END OF REPORTING PERIOD

On 5 November 2010, the Group entered into the memorandum of understanding with Wuhan Hailuo Commercial Investment Management Co. Ltd. (武漢海螺商貿投資管理有限公司) (the "vender") in relation to the possible acquisition of the entire equity interest of Wuhan Zhong Nan Automobile Parts and Accessories Co. Ltd (武漢市中南汽車配件配套有限責任公司) (the "Target Company"), a PRC company principally holding the land use right in Wuhan Economic and Technological Development Zone in the PRC. A refundable deposit of HK$58,824,000 has been paid to the vendor by the Group and it is classified as deposit paid for acquisition of a subsidiary in the consolidated statement of financial position at 31 December 2010. Subsequently, on 6 January 2011, Water Property Hubei Limited (水務地產湖北有限公司), a wholly owned subsidiary of the Group, entered into the agreement with the vendor to acquire the entire equity interest of the Target Company at the consideration of RMB105,000,000. The legal procedure of the equity transfer is in progress up to the report date.

46. CONNECTED AND RELATED PARTY TRANSACTIONS

During the year, the Group had the following significant transactions with related parties, some of which are also deemed to be connected persons pursuant to the Listing Rules:

	Notes	**2010** **HK$'000**	2009 HK$'000
Rentals paid to:			
– Mr. But Ching Pui	*(i) & (iii)*	**—**	72
– Mr. But Ching Pui and Ms. Leung Wai Ling	*(i) & (iii)*	**—**	156
– Lucky Fair Investment Limited	*(ii) & (iii)*	**147**	180
– Tai Tung Supermarket Limited	*(ii) & (iii)*	**235**	288
– Mr. But Ka Wai and his family members	*(iii)*	**—**	300

Compensations to key management personnel:

The directors of the Group considered that they are the only key management personnel of the Group and their remuneration has been set out in note 9.

Notes:

(i) Mr. But Ching Pui and Ms. Leung Wai Ling resigned as directors on 19 June 2009.

(ii) Mr. But Ching Pui and his family members are the beneficial shareholders of the Company.

(iii) Rentals for premises were determined in accordance with the leases entered into between the Group and the related parties, on the basis of estimated market value.

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2010 are as follows:

Name of company	Place of incorporation/ registration and operations	Issued and fully paid share capital/registered capital	Percentage of issued capital/ registered capital held by the Company	Principal activities
Directly hold:				
Wah Yuen Foods International Limited	British Virgin Islands/ Hong Kong	Ordinary shares USD1,000	100%	Investment holding
Top Rainbow Investments Limited	British Virgin Islands/ Hong Kong	Ordinary shares USD50,000	100%	Investment holding
Top Harbour Development Limited	British Virgin Islands/ Hong Kong	Ordinary shares USD50,000	100%	Investment holding
China Water Property Investment Limited	British Virgin Islands/ Hong Kong	Ordinary shares USD10,000	100%	Investment holding
In-directly hold:				
Wah Yuen Foods (China) Limited	British Virgin Islands/ Hong Kong	Ordinary shares USD1,000	100%	Investment holding
Hong Kong Wah Yuen Foods Company Limited	British Virgin Islands/ Hong Kong	Ordinary share HK$1	100%	Investment holding
Wah Yuen Investment Limited	British Virgin Islands/ Hong Kong	Ordinary shares USD1,000	100%	Investment holding
Wealthstar Investments Limited	British Virgin Islands/ Hong Kong	Ordinary shares USD1	100%	Investment holding
Wah Yuen Licensing Company Limited	Cook Islands/ Hong Kong	Ordinary shares HK$10	100%	Holding of trademarks

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation/ registration and operations	Issued and fully paid share capital/registered capital	Percentage of issued capital/ registered capital held by the Company	Principal activities
Honfine Company Limited	Hong Kong	Ordinary shares HK$10 Non-voting deferred shares HK$2 Note (iii)	100%	Distribution and marketing of snack foods products
Wah Yuen Foods (Hong Kong) Company Limited	Hong Kong	Ordinary shares HK$1,000 Non-voting deferred shares HK$10,000,000 Note (iii)	100%	Manufacturing, distribution and marketing of snack food products and convenience frozen food products
Million Riches Development Limited	Hong Kong	Ordinary shares HK$100 Non-voting deferred shares HK$1,000,000 Note (ii)	100%	Distribution and marketing of snack foods products
Wah Yuen Foods Company Limited	Hong Kong	Ordinary shares HK$20	100%	Investment holding
Wah Yuen (Guangzhou) Foods Company Limited Note (i)	PRC	Registered and contributed capital USD5,700,000	100%	Manufacturing, distribution and marketing of snack food products
Rocco Foods Enterprises Company (Guangzhou) Limited Note (i)	PRC	Registered and contributed capital USD2,810,000	100%	Manufacturing, distribution and marketing of snack food products
Guangzhou Lekker Pet Foods Company Limited Note (i)	PRC	Registered and contributed capital HK$500,000	100%	Manufacturing, distribution and marketing of pet food products

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation/ registration and operations	Issued and fully paid share capital/registered capital	Percentage of issued capital/ registered capital held by the Company	Principal activities
Wide Spread Foods Company Limited Note (i)	PRC	Registered and contributed capital HK$500,000	100%	Dormant
China Environmental Water Holdings Limited	Hong Kong	Ordinary share HK$10	100%	Investment holdings
China Water Property Corporate Finance Limited (previously known as: Wah Yuen Health Products Company Limited)	Hong Kong	Ordinary share HK$10,000	100%	Investment holdings
深圳中水置業有限公司 (previously known as: 深圳高原聖果生物技有限公司)	PRC	Registered and contributed capital RMB54,576,142	100%	Technical development of seabuckthorn products; remediation system development of water ecosystem protection; wholesale of commodity and packed food
Cedar Base International Limited	Hong Kong	Ordinary shares HK$10	100%	Technical development of seabuckthorn products
China Water Property (Hong Kong) Development Limited (previously known as: Wah Yuen Foods Trading Limited)	Hong Kong	Ordinary shares HK$10,000	100%	Investment holding
Karford Development Limited	British Virgin Islands/ Hong Kong	Ordinary shares USD1	100%	Investment holding
Waterports International Limited	British Virgin Islands/ Hong Kong	Ordinary shares USD1	100%	Investment holding
Hense Investments Limited	British Virgin Islands/ Hong Kong	Ordinary shares USD1	100%	Investment holding
China Water Real Property Limited (previously known as: Head Fame Properties Limited)	Hong Kong	Ordinary shares HK$10,000	100%	Investment holding

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation/ registration and operations	Issued and fully paid share capital/registered capital	Percentage of issued capital/ registered capital held by the Company	Principal activities
Mega Famous Investment Limited	Hong Kong	Ordinary shares HK$10,000	100%	Investment holding
China Water Property Group (Hong Kong) Limited	Hong Kong	Ordinary shares HK$10,000	100%	Investment holding
China Water Property Research Limited	Hong Kong	Ordinary shares HK$10,000	100%	Investment holding
China Water Property (Hong Kong) Group Limited (previously known as: Wealth Full Global Investments Limited)	British Virgin Islands/ Hong Kong	Ordinary shares USD1	100%	Investment holding
上海聖恆投資有限公司	PRC	Registered and contributed capital RMB15,000,000	51%	Investment holding and property development
滎成海御天城置業有限公司	PRC	Registered and contributed capital RMB20,000,000	100%	Investment holding and property development
華園食品(上海)有限公司	PRC	Registered and contributed capital RMB5,000,000	51%	Distributing and marketing of snack food products
水務地產湖北有限公司 (previously known as: 湖北阜城房地產開發有限公司)	PRC	Registered and contributed capital RMB200,000,000	100%	Property development
Northern Sea Development Limited	British Virgin Islands/ Hong Kong	Ordinary shares USD1	100%	Investment holding
Create Capital Development Limited	British Virgin Islands/ Hong Kong	Ordinary shares USD1	100%	Investment holding
Angelink Development Limited	British Virgin Islands/ Hong Kong	Ordinary shares USD1	100%	Investment holding

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation/ registration and operations	Issued and fully paid share capital/registered capital	Percentage of issued capital/ registered capital held by the Company	Principal activities
HK Mei Lai International (Canada) Limited	Hong Kong	Ordinary shares HKD 10,000	60%	Property development
杭州尼加拉置業有限公司	PRC	Registered and contributed capital USD 14,900,000	60%	Property development and sale of properties
杭州普天房地產開發有限公司	PRC	Registered and contributed capital RMB 30,000,000	60%	Property development and sale of properties
武漢深茂業商業投資管理有限公司	PRC	Registered and contributed capital RMB 10,000,000	51%	Provision of management service for investment properties
武漢凱越房地產開發有限公司	PRC	Registered and contributed capital RMB 50,000,000	100%	Property development and sale of properties
武漢茂業國際酒店管理有限公司	PRC	Registered and contributed capital RMB 1,000,000	100%	Provision of hotel management services
江蘇河海置業有限公司	PRC	Registered and contributed capital RMB 20,000,000	100%	Property development

(i) Wah Yuen (Guangzhou) Foods Company Limited, Rocco Foods Enterprises Company (Guangzhou) Limited, Guangzhou Lekker Pet Foods Company Limited, Wide Spread Foods Company Limited and Water Property Hubei Limited (formerly named: Hubei Fucheng Property Development Limited) are wholly foreign owned enterprises established in the PRC.

(ii) The deferred shares, which are not held by the Group, practically carry no rights to dividends or to receive notice of or to attend or vote at any of the respective companies' general meetings or to participate in any distribution on their winding up.

(iii) None of the subsidiaries had any debt securities outstanding as at 31 December 2010 or at any time during the year.

FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2006* HK$'000	2007* HK$'000	2008* HK$'000	2009* HK$'000	**2010 HK$'000**
Continuing operations					
Turnover	202,130	281,054	239,632	100,454	**990,841**
Profit (loss) from operations	31,137	121,702	(290,323)	(300,197)	**802,769**
Finance costs	(12,242)	(16,234)	(37,300)	(34,963)	**(22,890)**
Profit (loss) before tax	18,895	105,468	(327,623)	(335,160)	**779,879**
Income tax (expenses) credit	(5,865)	(8,231)	1,342	3,129	**(265,776)**
	13,030	97,237	(326,281)	(332,031)	**514,103**
Discontinued operation	—	—	—	—	**(7,299)**
Profit (loss) before non-controlling interests	13,030	97,237	(326,281)	(332,031)	**506,804**
Non-controlling interests	—	(45,345)	32,698	15,737	**2,730**
Profit (loss) for the year attributable to the equity holders of the Company	13,030	51,892	(293,583)	(316,294)	**509,534**
Earnings (loss) per share (expressed in HK cents per share)					
From continuing and discontinued operations					
– Basic	3.52 cents	9.19 cents	(17.96) cents	(7.73) cents	**4.67 cents**
– Diluted	N/A	2.92 cents	N/A	N/A	**4.01 cents**

ASSETS AND LIABILITIES

	At 31 December				
	2006* HK$'000	2007* HK$'000	2008* HK$'000	2009* HK$'000	**2010 HK$'000**
Total assets	407,779	886,519	553,448	1,092,414	**2,781,054**
Total liabilities	(213,236)	(473,299)	(451,491)	(802,994)	**(1,425,487)**
Non-controlling interests	—	(72,747)	(39,039)	(36,710)	**(160,366)**
Equity attributable to equity owners of the Company	194,543	340,473	62,918	252,710	**1,195,201**

*The result for each of the year from 2006-2009 have not been re-presented for the discontinued operation.

PROPERTY PARTICULARS

Property held by the Group at 31 December 2010 is set out below.

	Property	Type	Lease Term	Gross Floor Area (Square Metres)	Stage of Completion	Interest attributable to the Group	Anticipated Completion
1.	Future City Situated on No. 147, Luo Shi Road South, Hongshan District, Wuhan City, Hubei Province, the PRC	Residential / Commercial / Hotel	Medium	145,273	Completed	100%	2010 to 2011
2.	Future Mansion Situated on No. 378, Wu Luo Road, Hongshan District, Wuhan City, Hubei Province, the PRC	Residential / Commercial	Medium	44,537	In progress	100%	2010 to 2011
3.	Qiandao Lake Villa Situated on She Lou Shang Xia Ling, Wangzhai Township, Qiandao Lake, Hangzhou City, Zhejiang Province, the PRC	Residential	Medium	33,493	In progress	60%	2010 to 2011
4.	Mei Lai International Centre Situated on Southern side of intersection of Ying Bin Road and Weng Mei Road, Nanyan Street, Yuhang District, Hangzhou City, Zhejiang Province, the PRC	Commercial	Medium	116,222	In progress	60%	2010 to 2011