ANNUAL REPORT 2011

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)

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Wang Wenxia
(Vice Chairman and Chief Executive Officer)
Mr. Ren Qian

Non-executive Directors

Mr. Duan Chuan Liang *(Chairman)*
Mr. Zhou Kun

Independent non-executive Directors

Mr. Chan Pok Hiu
Mr. Wong Chi Ming
Mr. Wang Jian *(appointed on 21 April 2011)*
Mr. Chen Ziqiang *(resigned on 21 April 2011)*

AUDIT COMMITTEE

Mr. Wong Chi Ming *(Committee Chairman)*
Mr. Chan Pok Hiu
Mr. Wang Jian *(appointed on 21 April 2011)*

REMUNERATION COMMITTEE

Mr. Chan Pok Hiu *(Committee Chairman)*
Mr. Wong Chi Ming
Mr. Wang Jian *(appointed on 21 April 2011)*

NOMINATION COMMITTEE

Mr. Chan Pok Hiu *(Committee Chairman)*
Mr. Wong Chi Ming
Mr. Wang Jian *(appointed on 21 April 2011)*

COMPANY SECRETARY

Mr. Li Chi Chung *(appointed on 21 April 2011)*
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 Hong Kong 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") is dedicated to the core business in property investment and development industry in the People's Republic of China ("PRC"). CWP develops a diverse property portfolio of residential properties, office buildings, shopping malls and hotels in second-to-third tier cities, mostly along Yangtze River in the PRC, as its focus.

With continuous enhancement of strategic advantages in major second-to-third tier cities, like Wuhan and Hangzhou, CWP keeps on exploring profitable projects in other prime and strategic locations.

Taking niche marketing with quality properties in prime and strategic locations in the PRC as its priority, CWP will grow its earnings potential by building up the strength of its premium assets, maintaining high standards of its operational performance and exploring prospects for sustainable development, and deliver superior returns to shareholders.

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 2011.

2011 was a year of challenges. Global economic development and financial market were severely hit by economic turmoil. Domestically, the property market in the People's Republic of China (the "PRC") underwent an unprecedented restructuring from the central government with the implementation of several administrative policies and macro-economic control measures. Amidst these challenges and market volatility, CWP adhered to its formulated strategy by the Board focusing its efforts on developing quality properties and providing quality services to customers in the prime and strategic second-to-third tier cities, mostly along Yangtze River.

During the year, CWP successfully diversifies its business into commercial property investment, property management and hotel business with the objective of creating a steady cash inflow to supplement the core business. Nevertheless, CWP remains cautious about the market conditions and adopts a balanced approach including strict capital management initiatives and maintaining a strong balance sheet and modest gearing. I expect the diversified property portfolio with the balanced management approach can steer CWP to grow stronger.

Apart from the property-related business, the remaining business underperforming over the past few years will be under restructuring shortly, which is in the best interest of the Group and shareholders.

Stepping into a new financial year, the recovery of global economy is clouded by uncertainties. The austerity measures will be in place until the property market turns into a balanced structure. With a stable and strong growth of PRC economy, the scale and pace of urbanisation follows which the underlying demand for housing, the Group anticipates these offer unrivaled opportunities, even though the same level of caution remains. 2012 will be a year of challenges and opportunities.

On behalf of the Board, I would like to thank the management and staff for their dedication and hard work throughout the year. I would also like to extend my appreciation to our shareholders for their loyalty. With the supports from our stakeholders, notwithstanding the challenges ahead, I believe we can adhere to our strategy and deliver long-term, sustainable and superior value to shareholders.

Duan Chuan Liang
Chairman

Hong Kong, 28 March 2012

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in property development and property investment businesses strategically focusing on prime locations in second-to-third tier cities along Yangtze River. At present, the Group's development projects primarily located in Wuhan, Hangzhou, Guangzhou and other fast-growing cities in the PRC. The Group develops a well-diversified portfolio including residential properties, shopping malls, office buildings, villa and hotels, which can provide a comprehensive and sustainable growing momentum to the Group.

In 2011, facing global economic turmoil and administrative policies and macro-economic control measures implemented in the PRC property market, the Group adopted a flexible and balanced approach in controlling the progress of projects in development and acquisition of new projects to respond to these market difficulties. During the reporting period, the Group recorded a significant decrease in consolidated turnover and profits attributable to the shareholders due to the decrease in number of completed property units delivered.

RESULT SUMMARY

The consolidated turnover of the Group from continuing operations decreased by 82% from HK$990.8 million for the year ended 31 December 2010 to HK$177.5 million for the year ended 31 December 2011. The revenues from residential properties sales were HK$111.0 million arising from sales of the Future City. The Group recorded sold gross floor area ("GFA") of 10,020 square meters during the year with an average selling price of HK$11,078.

The overall gross profit from continuing operations decreased by 83% to HK$79.7 million in 2011 from HK$475.6 million in 2010, while the gross profit margin decreased to 45% in 2011 from 48% in 2010. The Group also had fair value gains on revaluation of investment properties of HK$205.1 million for the year ended 31 December 2011 which represented the fair value changes of the Future City Shopping Centre as compared with that at 31 December 2010.

During the year ended 31 December 2011, the consolidated turnover of the Group was firstly attributed by HK$24.5 million and HK$1.4 million from property leasing and other property-related businesses respectively. The rental income was from the leasing of the Future City Shopping Centre which provides a steady and sustainable cash inflow to the Group since late August 2011.

The revenue from food business segment decreased by 37% to HK$40.6 million in 2011 from HK$64.1 million in 2010. It contributed an operating loss of HK$11.1 million during the year ended 31 December 2011, which was increased by 14% compared with the loss of HK$9.7 million during the year ended 31 December 2010.

These were no discontinued operation during the year ended 31 December 2011. During the year ended 31 December 2010, the result from discontinued operation reflected the net loss of HK$10.8 million from the seabuckthorn-related 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 decreased by 93% to HK$33.4 million for the year ended 31 December 2011 from HK$509.5 million in 2010. Basic earnings per share attributable to the equity holders of the Company decreased to HK2.38 cents compared with HK44.34 cents (restated) in 2010. The Board does not propose any final dividend for the year ended 31 December 2011.

BUSINESS REVIEW

The PRC Property Development Business

During the year, the property sales were from the Future City residential units. The significant decrease in revenue compared with last year was due to no new projects completed and delivered contributing the sales during the year. The Group's development projects now include Future Mansion and Wuhan Economic & Technological Development Zone ("WEDZ") Future City in Wuhan, Mei Lai International Centre and Qiandao Lake Villa in Hangzhou, Huadu Project in Guangzhou and Hohai Project in Nanjing. To respond the uncertainties in the PRC property market, the Group adopted a flexible approach in controlling the progress of developing projects and acquisition of new projects to mitigate the operating risks and keep the Group in a healthy and sound position.

During the year, the Group signed a sale and purchase agreement to acquire 100% equity interest in a project company in the WEDZ, Wuhan City, which is the third prime property project in Wuhan. The legal procedure of the equity transfer is in progress up to the report date and expected to be finalised shortly.

During the year under review, project of the Future Mansion obtained pre-sale permit from relevant authority and presold approximately 6,764 square meters of properties with a total contracted sales amount of approximately HK$152.7 million.

All projects are under development in accordance with their development plans.

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 neighbourhood. 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-story premier shopping centre and parking spaces. The project is completed in 2010 and the shopping centre and hotel are operated in 2011.

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. The project is under construction and under pre-sale.

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. The project is under planning.

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. 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. The project is under construction and planned to complete during 2012–2013.

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, in which phase one is completed, and phases two and three are under construction.

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. The project is under planning.

NANJING, JIANGSU

Hohai Project

The project is located at Nangjing Gulou District No. 1 Xikang Road, next to the main campus entrance of Hohai University. The location is the political, economic and academic centre of Nanjing. The project has a total site area of 5,030 square meters and total planned GFA of approximately 34,758 square meters with five-star hotels, international meeting areas and commercial centres.

The PRC Property Investment Business

Wuhan Future City Commercial Property Management Company* (formerly known as Wuhan Shen Mao Ye Retail Investment and Management Limited*) ("Commercial Company") was formed by the Group to operate the Future City Shopping Centre ("Shopping Centre") owned by the Group, which held its grand opening in late August 2011. The Shopping Centre has total leasable area of approximately 55,362 square meters with car park included. The Shopping Centre now becomes a fashionable, dynamic and international shopping centre to cater the growing demand from the surrounding business centres and university region (more than twenty universities and tertiary education institutions) including Wuhan University and Wuhan University of Technology with 1,000,000 student and residential consumers. As of 31 December 2011, the fair value of the Shopping Centre recorded HK$1,339.0 million and the occupancy rate is over 90%. The operation of the Shopping Centre provided a steady cash inflow to the Group in addition to the possible capital appreciation.

The PRC Property-Related Businesses

Property management business

Wuhan Future City Property Management Company* ("Property Company"), a wholly owned subsidiary of the Group, provides residents and tenants with safe, modern, comfortable and high quality property management services. The servicing areas reached 145,273 square meters.

Hotel business

Wuhan Future City Hotel Management Company* (formerly known as Wuhan Mao Yei International Hotel Management Limited*) ("Hotel Company"), a wholly owned subsidiary of the Group, manages a business hotel ("Future City Hotel") with around 400 rooms, which is featured as one of the largest all suite business hotels in number of rooms in Central China. Easy access to the East Lake and universities and government authorities attracts travelers from different levels. Future City Hotel is well-equipped with function rooms and conference rooms to provide services of banquet and business conference and team of hospitality professionals was recruited to deliver personalised services to customers.

* *For identification purposes only*

Other Businesses

Packaged Food and Convenience Frozen Food Products

The food product segment offers a wide variety of quality snack products in unique Asian flavours under the brand of "Wah Yuen" with over 50 years of brand building in Hong Kong and also "Rocco" and "采楓" brands in the PRC.

Total revenue of food product segment was HK$40.6 million which decreased by 37% from HK$64.1 million as compared with last year. The gross profit margin decreased from 25% to 20%. The visibility in terms of capability for turnaround and competency for growth of food product business segment in the near future remains weak with a segment loss of HK$11.1 million this year. The Group will continue to take cautious approach to its unfavourable results and may actively consider the advantages of restructuring shortly.

Seabuckthorn and Related Healthcare Products

The disposal of the seabuckthorn-related business was completed in September 2010 and therefore its operating result does not exist in the 2011. The result reflected the net loss of HK$7.3 million during the year ended 31 December 2010, which was classified under discontinued operation.

FINANCIAL REVIEW

Turnover

Turnover of the Group for the year was HK$177.5 million from HK$990.8 million, a decrease of 82% compared with last year. The decrease was mainly due to decrease in revenue from sales of residential properties, in which the total GFA sold and recognised during the year was 10,020 square meters, a decrease of 88% compared with last year. Further, the decrease was also attributable by the decrease in revenue from food business, from HK$64.1 million in 2010 to HK$40.6 million in 2011. The decrease was mainly due to the downscale of the food operation during the year.

During the year, the Group's consolidated turnover was first time attributable by rental income from investment property of HK$24.5 million and revenue of HK$1.4 million generated from other property-related businesses.

Cost of Sales

The cost of sales decreased from HK$515.2 million in 2010 to HK$97.8 million in 2011, primarily due to the decrease in total GFA sold and recognised in 2011. The cost of properties sold included development costs, land costs and borrowing costs. Further, the decrease was also attributable by the decrease in revenue from food business, from HK$48.0 million in 2010 to HK$33.0 million in 2011. The decrease was mainly due to the downscale of the food operation during the year.

During the year, the Group's cost of sales was also attributable by investment property segment of HK$3.0 million and by other property-related businesses of HK$3.7 million.

Gross Profit and Gross Profit Margin

The gross profit decreased by HK$395.9 million from HK$475.6 million in 2010 to HK$79.7 million in 2011. The Group has a gross profit margin of 45% in 2011, as compared with 48% in the previous year. The decrease in the gross profit margin was primarily a result of the decrease in proportion of sales arising from residential properties which are of higher profit margins than that of food business.

Other Operating Income

Other operating income increased by 85% to HK$6.3 million in 2011 from HK$3.4 million in 2010. This increase was primarily due to an increase in exchange gain.

Change In Fair Value of the Investment Properties

There was a gain of HK$205.1 million in 2011 arising from change in fair value of the Future City Shopping Centre.

Selling and Distribution Expenses

The selling and distribution expenses decreased by 77% to HK$16.9 million in 2011 from HK$74.8 million in 2010, primarily due to a significant decrease in promotion expenses and sales commissions arising from sales of properties during the year.

Administrative Expenses

The administrative expenses increased by 59% to HK$126.9 million in 2011 from HK$79.8 million in 2010, primarily due to one-off bonus, more employees hired, increased development projects and diversed operating teams during the year.

Finance Costs

The finance costs increased by 5% to HK$24.0 million in 2011 from HK$22.9 million in 2010. As the Group completed the development of Future City, finance cost from relevant bank borrowings taken as capitalised costs decreased.

Impairment charges

The Group had impairment charges, mainly arising from food business segment, in respect of property, plant and equipment, inventory and receivables of HK$30.0 million, HK$1.1 million and HK$10.3 million respectively. The impairment charges were made after the comprehensive review of carrying values of the Group's assets.

Income Tax Expense

The income tax decreased by 80% to HK$53.5 million in 2011 from HK$265.8 million in 2010. The decrease was primarily attributable to decrease in our sales of residential properties and profit from the properties sold, which contributed to a decrease in our provision for enterprise income tax and also land appreciation tax.

Discontinued Operation

The Group had disposed of its health products business operation in September 2010. The result from discounted 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 Attributable to Owners of the Company

The profit attributable to the owners of the Company for the year decreased by 93% to HK$33.4 million in 2011 from HK$509.5 million in 2010.

Financial Position

The Group has strengthened its financial position by completing the open offer to raise about HK$251.2 million during the year.

Total bank deposits and cash of the Group amounted to HK$153.5 million as at 31 December 2011. The Group's net debt was increased by HK$138.5 million to HK$392.5 million, which was made up of HK$546.0 million in debts and HK$153.5 million in bank deposits and cash. The total debts as at 31 December 2011 included short-term borrowings of HK$353.5 million, long-term borrowings of HK$128.0 million and liability component of convertible notes of HK$64.5 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$606.1 million, or 22%, from HK$2,781.1 million in 2010 to HK$3,387.2 million in 2011. The Group had net current assets of HK$497.9 million, consisting of HK$1,617.2 million of current assets and HK$1,119.3 million of current liabilities. The net current assets decreased by HK$124.5 million from the net current assets of HK$622.4 million as at 31 December 2010.

As at 31 December 2011, the Group's shareholders' equity increased by 27% from HK$1,195.2 million to HK$1,512.3 million and the ratio of net debt to total shareholders' equity was 26%, compared 21% as at 31 December 2010.

FUTURE PLANS AND PROSPECTS

In the year coming, the Group will continue to adhere firmly its formulated strategy focusing on property development projects in the prime second-to-third tier cities mostly along Yangtze River and deliver quality products to the customers.

With a management team comprised of property development expertise, commercial property professionals and hotel management team and the strong supports from shareholders, the Group will make its effort to enhance its brand and reputation in the PRC property market, grasp market opportunities and mitigate operating risks in the future. The Group will balance the development and growth with its resources, and keep a healthy and sound financial position.

The Group is confident that the central government can ensure its stature and maintain a balanced growing and developing economic power leading to a sustainable path toward prosperity. The Group is also confident and positive about bringing superior values to shareholders with its business strategies and competitive edges.

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 minimise 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 2011.

The Group is exposed to interest rate risks, primarily related to the borrowings with floating interest rates as at 31 December 2011. 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.

PLEDGE OF ASSETS

As at 31 December 2011, certain bank deposits, property, plant and equipment and prepaid lease payments with an aggregate carrying amount of approximately HK$1,697.4 million were pledged as security for certain banking facilities granted to the Group.

CONTINGENT LIABILITIES AND COMMITMENTS

As at 31 December 2011, the Group had capital commitments in connection with the property development activities amounted to HK$104.5 million, primarily related to construction costs on projects under development and expenditures related to future property developments and investments.

As at 31 December 2011, the Group had not provided guarantees to banks for loans 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.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2011, the total number of employees stood at approximately 535. Total staff costs for the year under review were approximately HK$70.9 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 48, was appointed as the Chairman and non-executive Director of the Company on 25 October 2010. 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 over 20 years experience in water conservancy management and 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 2011, China Water Affairs holds 775,611,136 issued Shares of the Company (each a "Share"), representing approximately 44.10% of the total issued share capital of the Company.

MS. WANG WENXIA ("MS. WANG")

— Vice Chairman, Executive Director and Chief Executive Officer

Ms. Wang, aged 52, was appointed as the Vice Chairman, 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 over 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 (Stock Code: 721), a company listed on the main board of the Stock Exchange during the past three years until her resignation on 17 January 2011.

MR. REN QIAN ("MR. REN")

— Executive Director

Mr. Ren, aged 51, was appointed as the executive Director on 30 July 2009. He 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 in 1983 and obtained a Master of Business Administration from the Beijing Normal University in 2001. He has over 30 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 44, was appointed as the non-executive Director on 30 July 2009. He was graduated from the Xian Institute of Industry# (西安輕工學院) majoring in fine arts technology in 1987. He has over 20 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. CHAN POK HIU ("MR. CHAN")

— Independent non-executive Director

Mr. Chan, aged 44, was appointed as the independent non-executive Director on 16 August 2010. He is a seasoned investment banker with more than 18 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 worked in Standard Bank Group for 6 years. Mr. Chan 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. WONG CHI MING ("MR. WONG")

— Independent non-executive Director

Mr. Wong, aged 35, was appointed as the independent non-executive Director on 16 August 2010. He was 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. WANG JIAN ("MR. WANG")

— Independent non-executive Director

Mr. Wang, aged 41, was appointed as the independent non-executive Director on 21 April 2011. He was graduated from the Jiangsu Yangzhou University with a bachelor degree in economics in 1992. Mr. Wang is currently the vice president of the Shenzhen City Jin Ruige Finance Guarantee Company Limited# (深圳市金瑞格融資擔保有限公司). He has served as the Industrial and Commercial Bank of China Yangzhou branch credit manager, 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 vice general manager of Shenzhen Zhong Ke Zhi Investment Guarantee Company Limited# (深圳中科智投融資擔保有限公司). He has 20 years extensive experience in financial management, corporate finance, capital management, property development project financing and corporate operational management.

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 2011.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in Note 49 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 31 December 2011 are set out in the consolidated income statement on page 35 of this report.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2011.

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 131 of this 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. Further details of the Group's major properties are set out on page 132 of this report.

INVESTMENT PROPERTIES

Details of the movements in investment properties of the Group during the year are set out in Note 18 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in Note 35 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 during the year are set out in the consolidated statement of changes in equity from pages 41 to 42 of this report and Note 36 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

Distributable reserves of the Company is HK$610 million as at 31 December 2011, which comply with the Companies Law of the Cayman Islands.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association (the "Articles of Association", each an "Article"), 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 consolidation in September 2011 and open offer in October 2011 by the Company, 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 2011.

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

Non-executive Directors

Mr. Duan Chuan Liang *(Chairman)*
Mr. Zhou Kun

Independent non-executive Directors

Mr. Chan Pok Hiu
Mr. Wong Chi Ming
Mr. Wang Jian *(appointed on 21 April 2011)*
Mr. Chen Ziqiang *(resigned on 21 April 2011)*

In accordance with Article 108, Ms. Wang Wenxia, Mr. Ren Qian and Mr. Zhou Kun shall retire from their office by rotation at the forthcoming annual general meeting. Being eligible, each of Ms. Wang Wenxia and Mr. Ren Qian will offer himself/herself for re-election as executive Director; and Mr. Zhou Kun will offer himself for re-election as non-executive Director at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Mr. Chan Pok Hiu, Mr. Wong Chi Ming and Mr. Wang Jian as the independent non-executive Directors have service contracts with the Company which is 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 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 are granted under the share option scheme adopted by the Company to be determined by the Board. Ms. Wang's emolument is 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 of The Stock Exchange of Hong Kong Limited (the "Listing Rules") from each of the independent non-executive Directors, namely Mr. Chan Pok Hiu, Mr. Wong Chi Ming and Mr. Wang Jian for the year ended 31 December 2011 and as 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 14 to 16 of this annual report.

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

As at 31 December 2011, the interests and short positions of each Director and the chief executives of the Company in the shares and the underlying shares of the Company and any associated corporations (as defined in Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register 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 2011

Name of Director	Capacity	Note	Number of ordinary shares	Approximate percentage of shareholding
Mr. Duan Chuan Liang	Beneficial owner	(1)	4,207,928	0.239%
Ms. Wang Wenxia	Beneficial owner	(2)	1,231,440	0.070%
Mr. Ren Qian	Beneficial owner		460,400	0.026%

(ii) Long positions in underlying shares as at 31 December 2011

Name of Director	Capacity	Note	Number of underlying shares	Approximate percentage of shareholding
Mr. Duan Chuan Liang	Beneficial owner	(3)	12,795,263	0.728%
Ms. Wang Wenxia	Beneficial owner		12,795,263	0.728%

Notes:

(1) The personal interests of Mr. Duan Chuan Liang comprise 4,207,928 ordinary shares and 12,795,263 outstanding share options.

(2) The personal interests of Ms. Wang Wenxia comprise 1,231,440 ordinary shares and 12,795,263 outstanding share options.

(3) 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.

Pursuant to the terms of the share option scheme, the exercise price of the share options and the number of Shares to be allotted and issued upon full exercise of the subscription rights attaching to the outstanding share options were adjusted as a result of the completion of the open offer on 24 October 2011. Adjusted number of outstanding share options as 25,590,526 and adjusted exercise price per share in respect of the outstanding share options as HK$0.9602 per share.

Save as disclosed above, as at 31 December 2011, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in shares, underlying shares or debentures of the Company and 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.

Category	Date of grant	Exercise price (HK$) As at 1 January 2011	Exercise price (HK$) Adjusted on 24 October 2011 (Note)	Exercisable period	As at 1 January 2011	Exercised during the year	Expired during the year	Lapsed during the year	Outstanding before adjustment	Adjusted outstanding at 31 December 2011
Directors / Employees	25/03/2008	0.0529	N/A	25/03/2008 to 24/03/2011	74,139,697	(43,081,175)	(31,058,522)	—	—	—
	03/11/2010	0.1004	0.9602	03/11/2010 to 02/11/2020	284,752,000	(5,000,000)	—	(35,000,000)	244,752,000	25,590,526
Total					358,891,697	(48,081,175)	(31,058,522)	(35,000,000)	244,752,000	25,590,526

Note: The exercise price and the number of share options outstanding at 31 December 2011 have been adjusted to reflect the effect of the open offer and share consolidation.

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 48 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 2011, 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.

(i) Long positions in the shares as at 31 December 2011

Name of substantial Shareholder	Note	Capacity/ Nature of interest	Number of ordinary shares	Approximate percentage shareholding (%)
China Water Affairs Group Limited	(1)	Beneficial owner and Interest of controlled corporation	775,611,136	44.10%
China Financial International Investments Limited	(2)	Beneficial owner	163,003,429	9.27%
China Financial International Investments and Management Limited	(3)	Investment manager	163,003,429	9.27%

(ii) Long positions in the underlying shares as at 31 December 2011

Name of substantial Shareholders	Note	Capacity/ Nature of interest	Number of underlying shares	Approximate percentage of shareholding (%)
China Water Affairs Group Limited	(4)	Interest of controlled corporation	215,683,681	12.26%

Notes:

(1) These shares (the "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 held by Sharp Profit and Good Outlook for the purposes of the SFO.

(2) These Shares were held by Global Business Investment Enterprises Limited, a wholly owned subsidiary of China Financial International Investments Limited (Stock Code: 721) ("CFIIL"). Therefore, CFIIL was deemed to be beneficially interested in the said Shares held by Global Business Investment Enterprises Limited for the purposes of the SFO.

(3) These Shares were held by China Financial International Investments and Management Limited ("CFIIM") which is owned by to 51% by Capital Focus Asset Management Limited ("Capital Focus"), 29% by CFIIL. Accordingly, for the purposes of the SFO, Capital Focus is deemed to have the same interests in the Company as CFIIM.

(4) 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.

Pursuant to the terms of the convertible notes, the conversion price of the outstanding convertible notes were adjusted as a result of the completion of the one consolidated share for every ten shares and the open offer in the proportion of two offer shares for every five consolidated shares on 24 October 2011. Adjusted conversion price as HK$0.3781 in respect of the outstanding principal amount of HK$81,550,000, the outstanding principal amount of HK$81,550,000, an aggregate of approximately 215,683,681 Shares will be issued and allotted upon full conversion of the convertible notes. 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 2011.

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 48 to the consolidated financial statements. Certain details of which had been disclosed in compliance with the requirements of Chapter 14A of 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. Chan Pok Hiu and Mr. Wang Jian.

The audit committee is satisfied with its review and the audit fees, the independence of the auditors and recommended to the Board the re-appointment of the Auditors in 2012 at the forthcoming annual general meeting. The audit committee is accountable to the Board and the primary duties of the audit committee including the review and supervision the Group's financial reporting process and internal controls.

The Group's annual results for the year ended 31 December 2011 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 36% and 22% for the Group's total purchases for the year ended 31 December 2011 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 2011.

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 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.

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 2012

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 2011, 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, save for deviation from the Rule 8.17 of the Listing Rules. This report describes our Group's corporate governance practices and explains the said deviations from the CG Code.

BOARD OF DIRECTORS

1. The Board of Directors

As at 31 December 2011, 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. Chan Pok Hiu, Mr. Wong Chi Ming and Mr. Wang Jian 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 six times for the year ended 31 December 2011 and considered; reviewed and approved significant matters including the share consolidation, open offer, the 2010 annual results and the 2011 interim results of the Group.

Individual attendance of each Director at Board meetings during for the year ended 31 December 2011 is set out below:

		No. of attendance/ No. of meetings	Attendance rate
Executive Directors			
1. Ms. Wang Wenxia *(Vice Chairman and Chief Executive Officer)*		6/6	100%
2. Mr. Ren Qian		6/6	100%
Non-executive Directors			
3. Mr. Duan Chuan Liang *(Chairman)*		6/6	100%
4. Mr. Zhou Kun		6/6	100%
Independent non-executive Directors			
5. Mr. Chan Pok Hiu		6/6	100%
6. Mr. Wong Chi Ming		6/6	100%
7. Mr. Wang Jian	*(appointed on 21 April 2011)*	5/5	100%
8. Mr. Chen Ziqiang	*(resigned on 21 April 2011)*	1/1	100%

To maximise 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 2011, 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 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.

As at 31 December 2011, 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 participating 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 2011, 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 2011, 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 operating 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.

5. Company Secretary

The Board continues to review and update its practices from time to time to achieve high standard of corporate governance, except for the Rule 8.17 of the Listing Rules.

Reference is made to the announcement of the Company dated 31 March 2011 in relation to resignation of Mr. Chong Ching Hei ("Mr. Chong"), as financial controller and secretary of the Company. After Mr. Chong's resignation, the Company has no position of secretary of which falls below the requirement under the Rule 8.17 of the Listing Rules.

On 21 April 2011, Mr. Li Chi Chung ("Mr. Li") has been appointed as secretary of the Company. With the appointment of Mr. Li, the Company has complied with the requirement under Rule 8.17 of the Listing Rules regarding having secretary of the Company must be a person who is ordinary resident in Hong Kong and who has requisite knowledge and experience to discharge the functions of secretary of the Company.

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 profession qualifications, or accounting or related financial management expertise.

The AC's membership comprised the independent non-executive Directors as at 31 December 2011:

Mr. Wong Chi Ming *(Committee Chairman)*;
Mr. Chan Pok Hiu; and
Mr. Wang Jian

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 realise 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 twice during the year ended 31 December 2011 with an attendance rate of 100% and reviewed the interim results and the annual results of the Group for the year ended 31 December 2010. The AC had also reviewed the Group's audited annual results of the year ended 31 December 2011. 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 2011 are set out below:

		No. of attendance/ No. of meetings	Attendance rate
Independent non-executive Directors			
1. Mr. Wong Chi Ming *(Committee Chairman)*		2/2	100%
2. Mr. Chan Pok Hiu		2/2	100%
3. Mr. Wang Jian	*(appointed on 21 April 2011)*	1/1	100%
4. Mr. Chen Ziqiang	*(resigned on 21 April 2011)*	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. Chan Pok Hiu and comprises two other members, namely Mr. Wong Chi Ming and Mr. Wang Jian. 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 2011 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.

		No. of attendance/ No. of meetings	Attendance rate
Independent non-executive Directors			
1. Mr. Chan Pok Hiu *(Committee Chairman)*		4/4	100%
2. Mr. Wong Chi Ming		4/4	100%
3. Mr. Wang Jian	*(appointed on 21 April 2011)*	2/2	100%
4. Mr. Chen Ziqiang *(Committee Chairman)*	*(resigned on 21 April 2011)*	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. Wong Chi Ming and Mr. Wang Jian. 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. Meeting of the NC was held once during the year ended 31 December 2011. 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 2011 are set out below:

		No. of attendance/ No. of meeting	Attendance rate
Independent non-executive Directors			
1. Mr. Chan Pok Hiu *(Committee Chairman)*		1/1	100%
2. Mr. Wong Chi Ming		1/1	100%
3. Mr. Wang Jian	*(appointed on 21 April 2011)*	1/1	100%
4. Mr. Chen Ziqiang	*(resigned on 21 April 2011)*	N/A	N/A

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 2011.

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 2011, 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 2011, the fees paid to Messrs. HLM & Co, the Group's external auditor HK$950,000 for audit services of the Group and approximately HK$202,000 for non-audit related services in respect of shares consolidation and open offer 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, circulars, results announcements and releases. All communications to Shareholders are also available on the Company's website at www.waterpropertygroup.com.

We had provided sufficient notice for Shareholders on all general meetings. 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 recognises 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 35 to 130 which comprise the consolidated and Company statements of financial positions as at 31 December 2011, 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' judgement, 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 2011 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 2012

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Continuing operations			
Turnover	7	177,516	990,841
Cost of sales		(97,772)	(515,203)
Gross profit		79,744	475,638
Fair value gain in respect of investment properties revaluation/transferred from inventory of properties		205,125	478,343
Other operating income	7	6,260	3,388
Selling and distribution expenses		(16,855)	(74,820)
Administrative expenses		(126,915)	(79,780)
Finance costs	8	(24,029)	(22,890)
Operating profit before impairment charges		123,330	779,879
Impairment on property, plant and equipment		(30,000)	—
Written off of inventories		(1,128)	—
Written off of trade and other receivables		(10,300)	—
Profit before taxation		81,902	779,879
Income tax expenses	10	(53,499)	(265,776)
Profit for the year from continuing operations	11	28,403	514,103
Discontinued operation			
Loss for the year from discontinued operation	12	—	(7,299)
Profit for the year		28,403	506,804

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Profit for the year attributable to:			
Owners of the Company			
Profit for the year from continuing operations		**33,373**	510,631
Loss for the year from discontinued operation		**—**	(1,097)
Profit for the year attributable to owners of the Company		**33,373**	509,534
Non-controlling interests			
(Loss) profit for the year from continuing operations		**(4,970)**	3,472
Loss for the year from discontinued operation		**—**	(6,202)
Loss for the year attributable to non-controlling interests		**(4,970)**	(2,730)
Profit for the year		**28,403**	506,804
Dividends	13	**—**	—
Earnings per share	14	**HK Cents**	HK Cents
From continuing and discontinued operations			(restated)
Basic		**2.38**	44.34
Diluted		**2.31**	38.39
From continuing operations			
Basic		**2.38**	44.43
Diluted		**2.31**	38.47

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
Profit for the year	28,403	506,804
Other comprehensive income:		
Exchange differences arising on translation	35,085	10,319
Total comprehensive income for the year	63,488	517,123
Total comprehensive income (expense) attributable to:		
Owners of the Company	68,458	519,853
Non-controlling interests	(4,970)	(2,730)
	63,488	517,123

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
ASSETS			
Non-current assets			
Prepaid lease payments	15	1,616	1,751
Property, plant and equipment	16	132,887	95,965
Investment properties	18	1,339,024	982,353
Goodwill	19	174,605	174,605
Deposit paid for acquisition of a subsidiary	46	121,951	58,824
		1,770,083	1,313,498
Current assets			
Inventories	22	4,503	9,851
Inventory of properties	23	1,213,864	958,195
Trade and other receivables	24	245,179	225,730
Prepaid tax		156	200
Pledged bank deposits	26	3,307	9,978
Bank balances and cash	26	150,186	263,602
		1,617,195	1,467,556
TOTAL ASSETS		3,387,278	2,781,054
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	35	175,872	125,142
Reserves		1,336,450	1,070,059
Equity attributable to owners of the Company		1,512,322	1,195,201
Non-controlling interests		136,931	160,366
TOTAL EQUITY		1,649,253	1,355,567

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Non-current liabilities			
Deferred tax liabilities	38	**280,444**	224,115
Borrowings — due after one year	32	**128,049**	294,118
Convertible notes	33	**64,464**	62,172
Deposits received for sale and lease of properties — non-current portion	28	**123,706**	—
Deferred income — non-current portion	34	**22,114**	—
		618,777	580,405
Current liabilities			
Trade and other payables	27	**323,167**	377,384
Deposits received for sale and lease of properties — current portion	28	**122,244**	77,837
Obligations under finance leases	29	**—**	169
Tax payable		**118,910**	122,168
Amounts due to non-controlling shareholders of subsidiaries	30	**58,962**	43,804
Amounts due to related parties	31	**114,298**	52,246
Borrowings — due within one year	32	**353,478**	171,474
Deferred income — current portion	34	**28,189**	—
		1,119,248	845,082
TOTAL LIABILITIES		**1,738,025**	1,425,487
TOTAL EQUITY AND LIABILITIES		**3,387,278**	2,781,054
NET CURRENT ASSETS		**497,947**	622,474
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,268,030**	1,935,972

The consolidated financial statements on pages 35 to 130 were approved and authorised for issue by the board of directors on 28 March 2012 and are signed on its behalf by:

Duan Chuan Liang	**Wang Wenxia**
DIRECTOR	*DIRECTOR*

STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
ASSETS			
Non-current asset			
Interests in subsidiaries	17	892,766	710,117
Current assets			
Amount due from a related party		—	450
Other receivables		681	1,002
Bank balances		14,274	190
		14,955	1,642
TOTAL ASSETS		907,721	711,759
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	35	175,872	125,142
Reserves	36	609,810	454,726
TOTAL EQUITY		785,682	579,868
Non-current liability			
Convertible notes	33	64,464	62,172
Current liabilities			
Other creditors and accruals		27,784	18,005
Amount due to a shareholder	31	9,791	51,714
Borrowing	32	20,000	—
		57,575	69,719
TOTAL LIABILITIES		122,039	131,891
TOTAL EQUITY AND LIABILITIES		907,721	711,759
NET CURRENT LIABILITIES		(42,620)	(68,077)
TOTAL ASSETS LESS CURRENT LIABILITIES		850,146	642,040

The financial statements on pages 35 to 130 were approved and authorised for issue by the board of directors on 28 March 2012 and are signed on its behalf by:

Duan Chuan Liang	**Wang Wenxia**
DIRECTOR	*DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	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	Translations reserve HK$'000	Accumulated (losses) profits HK$'000	Attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 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 lapsed/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 and 1 January 2011	125,142	922,088	25,434	16,494	10,816	25,565	20,904	48,758	1,195,201	160,366	1,355,567
Profit for the year	—	—	—	—	—	—	—	33,373	33,373	(4,970)	28,403
Translation exchange differences	—	—	—	—	—	—	35,085	—	35,085	—	35,085
Total comprehensive income for the year	—	—	—	—	—	—	35,085	33,373	68,458	(4,970)	63,488
Disposal of subsidiaries	—	—	—	—	—	—	(1,934)	—	(1,934)	(14,180)	(16,114)
Acquisition of additional interest in a subsidiary	—	—	—	—	—	—	—	(1,691)	(1,691)	(4,285)	(5,976)
Open offer	50,249	200,997	—	—	—	—	—	—	251,246	—	251,246
Shares issue expenses	—	(1,739)	—	—	—	—	—	—	(1,739)	—	(1,739)
Exercise of share options	481	3,525	—	(1,225)	—	—	—	—	2,781	—	2,781
Share options lapsed/expired	—	—	—	(2,221)	—	—	—	2,221	—	—	—
At 31 December 2011	175,872	1,124,871	25,434	13,048	10,816	25,565	54,055	82,661	1,512,322	136,931	1,649,253

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

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 2011

	NOTE	2011 HK$'000	2010 HK$'000
OPERATING ACTIVITIES			
Profit before taxation from continuing operations		81,902	779,879
Loss before taxation from discontinued operation	12	—	(7,258)
		81,902	772,621
Adjustments for:			
Interest expenses		24,029	23,095
Interest income		(2,091)	(1,637)
Depreciation of property, plant and equipment		11,438	11,147
Amortisation of prepaid lease payments		189	196
Loss on disposals of property, plant and equipment		512	7
Loss on redemption of convertible notes		—	199
Gain on disposal of subsidiaries		(1,088)	(3,548)
Share-based options expenses		—	16,073
Fair value gain in respect of investment properties revaluation/transferred from inventory of properties		(205,125)	(478,343)
Impairment on property, plant and equipment		30,000	—
Written off of inventories		1,128	—
Written off trade and other receivables		10,300	—
Operating cash flows before movements in working capital		(48,806)	339,810
Decrease (increase) in inventories		4,580	(783)
Increase in inventory of properties		(230,581)	(300,464)
Increase in trade and other receivables		(40,958)	(37,204)
(Decrease) increase in trade and other payables		(55,347)	329,915
Increase in deposits received for sale and lease of properties		165,265	14,428
Increase in deferred income		50,303	—
Cash (used in) generated from operations		(155,544)	345,702
Interest paid		(47,865)	(61,819)
Income tax paid		(9,855)	(29,223)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES		(213,264)	254,660

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
INVESTING ACTIVITIES			
Purchase of investment properties		**(108,801)**	—
Purchase of property, plant and equipment		**(77,427)**	(17,261)
Deposit paid for acquisition of a subsidiary	46	**(60,975)**	(58,824)
Acquisition additional interests in a subsidiary		**(5,976)**	—
Net cash inflow on disposal of subsidiaries	41	**5,126**	6,624
Interest received		**2,091**	1,637
Proceed from disposal of property, plant and equipment		**575**	—
Net cash outflow on acquisition of subsidiaries	40	**—**	(156,749)
Balance payment on acquisition of a subsidiary		**—**	(48,864)
Decrease in pledged bank deposit		**—**	4,000
Settlement of derivative financial instruments		**—**	1,511
NET CASH USED IN INVESTING ACTIVITIES		**(245,387)**	(267,926)
FINANCING ACTIVITIES			
New borrowings raised		**293,170**	470,588
Advances from (payment to) related parties		**174,052**	(58,170)
Proceeds from issue of new shares		**139,246**	202,356
Advances from non-controlling shareholders of subsidiaries		**13,555**	848
Proceeds from exercise of share options		**2,781**	7,433
Repayment of borrowings		**(293,036)**	(477,714)
Shares issue expenses		**(1,739)**	(10,807)
Repayment of finance leases		**(169)**	(826)
Contribution from non-controlling shareholders of a subsidiary		**—**	22,410
Redemption of convertible notes		**—**	(73,346)
NET CASH GENERATED FROM FINANCING ACTIVITIES		**327,860**	82,772
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(130,791)**	69,506
Effect of foreign exchange rate changes		**10,742**	33,360
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**272,283**	169,417
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**152,234**	272,283
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**150,186**	263,602
Pledged bank deposits		**3,307**	9,978
Bank overdrafts		**(1,259)**	(1,297)
		152,234	272,283

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

1. GENERAL

China Water Property Group Limited (the "Company") is an exempted company with limited liability incorporated in the Cayman Islands 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 property investment and development business and other property-related services in the PRC, and manufacture and sales of snack food. The Group was also engaged in manufacture and sales of seabuckthorn related product which was discontinued in prior year (see Note 12).

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

The following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") have been applied by the Group in the current year.

Application of new and revised standards and interpretations

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKAS 1 (Amendments)	Presentation of Financial Statements
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HK (IFRIC) — Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK (IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of these new and revised HKFRSs has had no material impact on the Group's financial performance and positions for the current and prior years.

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

New and revised HKFRSs issued but not yet effective

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

HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[1]
	Disclosures — Offsetting Financial Assets and Financial Liabilities[2]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interest in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[5]
HKAS 12 (Amendments)	Deferred Tax — Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investment in Associates and Joint Ventures[2]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[6]
HK (IFRIC) — Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

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

HKFRS 7 (Amendments) Disclosures — Transfers of Financial Assets Disclosures — Offsetting Financial Assets and Financial Liabilities Mandatory Effective Date of HKFRS 9 and Transition Disclosures

The amendments to HKFRS 7 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 assets is transferred but the transferor retains some level of continuing exposure in the assets. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors anticipate that the application of the amendments to HKFRS 7 will affect the Group's disclosures regarding transfers of financial assets in the future.

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

New and revised HKFRSs issued but not yet effective *(Continued)*

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as a fair value through profit and 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 recognition 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 the 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 the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

New and revised HKFRSs issued but not yet effective *(Continued)*

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK (SIC) — Int 12 Consolidation — Special Purpose Entities. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures and HK (SIC) — Int 13 Jointly Controlled Entities — Non-Monetary Contributions by Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

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

New and revised HKFRSs issued but not yet effective *(Continued)*

New and revised Standards on consolidation, joint arrangements, associates and disclosures *(Continued)*

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. The application of HKFRS 10 may result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated. In addition, the application of HKFRS 11 may result in changes in the accounting of the Group's jointly controlled entities that are currently accounted for using proportionate consolidation. Under HKFRS 11, those jointly controlled entities will be classified as a joint operation or joint venture, depending on the rights and obligations of the parties to the joint arrangement. However, the directors have not yet performed a detailed analysis of the impact of the application of these Standards and have not yet quantified the extent if the impact.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurement, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosure will be extended by HKFRS 13 to cover all assets and liabilities with its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 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 affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

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

New and revised HKFRSs issued but not yet effective *(Continued)*

HKAS 1 (Amendments) Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

HKAS 12 (Amendments) Deferred Tax — Recovery of Underlying Assets

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property are presumed to be recovered through sale for the purpose of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The amendments to HKAS 12 are effective for annual periods beginning on or after 1 January 2012. The directors anticipate that the application of the amendments to HKAS 12 in future reporting periods may result in adjustments to the amounts of deferred tax liabilities recognised in prior years regarding the Group's investment properties of which the carrying amounts are presumed to be recovered through sale. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

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

New and revised HKFRSs issued but not yet effective *(Continued)*

HKAS 19 (as revised in 2011) Employee Benefits

The amendments to HKAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plane assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of HKAS 19. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to HKAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions. The directors anticipate that the amendments to HKAS 19 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the amendments to HKAS 19 may have impact on amounts reported in respect of the Group's defined benefit plans. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries on or after 1 January 2010

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the carrying amount of the net assets attributable to the change in interests and the fair value of the consideration paid or received is recognised directly in accumulated profits and attributed to owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries on or after 1 January 2010 *(Continued)*

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to accumulated profits). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "*Financial Instruments: Recognition and Measurement*" or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

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 assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to the share-based payment arrangements of the acquiree or share-based payment arrangement of the Group entered into to replace share-based payment arrangements of the acquiree are measure in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

Business combinations that took place on or after 1 January 2010 *(Continued)*

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 net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed 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 that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

Where the consideration transferred by the Group 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.

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. Amounts arising from interests in the acquire prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

Business combinations that took place on or after 1 January 2010 *(Continued)*

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 at 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 interest in the acquiree was initially measured at the minority interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

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 that is expected to benefit from the synergies of the combination.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

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.

Rental income from operating lease is recognised in the consolidated income statement on a straight-line basis over the terms of the relevant lease.

Hotel operation income is recognised upon the provision of services and the utilisation by guests of the hotel facilities.

Management service income is recognised when management services are provided.

Deferred income

Receipts in advance from long-term leases are credited to a deferred income account and are credited to the profit or loss on a straight-line basis over the period of the leases.

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)*

Property, plant and equipment

Property, 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 property, 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 recognised so as to write off the cost of assets (other than construction in progress) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on 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.

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 arise.

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 or 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 and loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Inventory of properties

Inventory of properties included 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

The Group's financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" (FVTPL) and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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.

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

Financial assets at FVTPL

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 term; 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at FVTPL *(Continued)*

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 Financial Instruments: Recognition and Measurement 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.

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 and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, expect for short-term receivables when the recognition of interest would be immaterial.

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 when 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

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.

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.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Other financial liabilities

Other financial liabilities (including borrowings, trade and other payables, amounts due to non-controlling shareholders of subsidiaries and amounts due to related parties) are subsequently measured at amortised cost using the effective interest method.

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 notes, 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Convertible notes *(Continued)*

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 are amortised over the lives of the convertible notes using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition *(Continued)*

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.

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 time value of money 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 subsequent reporting period, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation recognised in accordance with HKAS 18 Revenue.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 accumulated profits.

Intangible assets

Internally-generated intangible assets — research and development expenditure

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

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

Internally-generated intangible assets — research and development expenditure *(Continued)*

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

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

Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Biological assets *(Continued)*

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.

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 with finite useful lives 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.

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. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When 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.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing

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

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance Lease income is allocated to accounting period so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct cost incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

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.

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 property, 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement 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 joint 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.

The carrying amount of deferred tax assets is reviewed at the end of each 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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 and deferred tax are 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 are 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.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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).

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 operation, 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Cash and cash equivalents

For the purposes of the statement of cash flows, 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 property, 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 property, 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 property, plant and equipment

Property, 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 property, 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 2011, the Group recognised HK$30,000,000 impairment loss for certain property, plant and equipment (2010: nil).

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

(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 inventory review on a product-by-product basis at the end of each reporting period 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 aging 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 2011, the carrying amount of trade receivable is approximately HK$20,702,000 (2010: HK$24,953,000) (net of allowance for doubtful debts of approximately of none (2010: nil)).

(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 2011, the carrying amount of goodwill is approximately HK$174,605,000 (2010: approximately HK$174,605,000), net of accumulated impairment loss of none (2010: nil). Details of the recoverable amount calculation are disclosed in Note 19.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include borrowings, trade and other receivables, trade and other payables, amounts due to non-controlling shareholders of subsidiaries, amounts due to related parties and convertible notes. 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 assets and liabilities 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 2011 HK$'000	**Liabilities 2011 HK$'000**	Assets 2010 HK$'000	Liabilities 2010 HK$'000
Renminbi ("Rmb")	**365,261**	**575,330**	418,983	802,411

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in Rmb against HK$.

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

	2011 HK$'000	2010 HK$'000
Increase/decrease in profit for the year	**10,503**	19,171

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

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:

			2011		
	On demand	Within 1 year	2–5 years	Over 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Trade and other payables	323,167	—	—	—	323,167
Amounts due to non-controlling shareholders of subsidiaries	58,962	—	—	—	58,962
Amounts due to related parties	69,278	45,020	—	—	114,298
Borrowings	7,868	345,610	128,049	—	481,527
Convertible notes	—	—	—	64,464	64,464
	459,275	390,630	128,049	64,464	1,042,418

			2010		
	On demand	Within 1 year	2-5 years	Over 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	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 related party	52,246	—	—	—	52,246
Borrowings	32,650	138,824	294,118	—	465,592
Convertible notes	—	—	—	62,172	62,172
	506,084	138,993	294,118	62,172	1,001,367

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

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 2011 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 management 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'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)*

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 date. 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 2011 would decrease/increase by approximately HK$3,152,000 (2010: decrease/increase by approximately HK$1,920,000)

Fair values measurement

(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

At 31 December 2011 and 2010, there were no financial instruments carried at any level of the fair value hierarchy.

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

Fair values measurement *(Continued)*

(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 2011 and 2010.

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 judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

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

(i) Bank balances and cash, pledged bank deposits, trade and other receivables, trade and other payables, amounts due to related parties 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) Interest rates used for determining fair value

The Group uses the appropriate market yield curve or benchmark rate as of 31 December 2011 plus an appropriate constant credit spread to calculate the fair value of its interest bearing debt.

(iv) Convertible notes

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 notes that is separated from the host debt contract are adopted. The basis for determining the fair value is disclosed in Note 33.

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

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.

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 2011, the Group's strategy remained unchanged as compared to that of 2010. 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 end of reporting period is as follows:

	2011 **HK$'000**	2010 HK$'000
Borrowings, net of bank balances and cash	**328,034**	192,012
Convertible notes	**64,464**	62,172
Obligations under finance leases	**—**	169
Total debts	**392,498**	254,353
Total assets	**3,387,278**	2,781,054
Total debts to total assets ratio	**0.12**	0.09

The increase in the gearing ratio during year resulted primarily from the payment of construction costs. The completion of open offer in 24 October 2011 lessen the increase and therefore the gearing ratio increased by 0.03.

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 consolidated 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 and services provided by the Group's operating divisions, which is the same information reported to the chief operating decision maker.

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 PRC

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

— Other Property-related Business Segment engages in provision of property management services and operation of hotel

The Group involved in manufacturing and sales of seabuckthorn and related products (the "discounting operation"). This operation was discontinued with effect from 17 September 2010. The Segment information reported does not included any amounts for the discontinued operation, which is described in more details in Note 12.

6. SEGMENT INFORMATION *(Continued)*

For the year ended 31 December 2011

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

Continuing operations

	Property Investment HK$'000	Property Development HK$'000	Wah Yuen Foods HK$'000	Other Property-related Businesses HK$'000	Total HK$'000
TOTAL REVENUE AND EXTERNAL SALES	**24,513**	**111,010**	**40,615**	**1,378**	**177,516**
RESULT					
Segment operating results before impairment	**8,324**	**23,254**	**(11,091)**	**(10,810)**	**9,677**
Fair value gain in respect of investment properties revaluation	**205,125**	—	—	—	**205,125**
Impairment on property, plant and equipment	—	—	**(30,000)**	—	**(30,000)**
Written off of inventories	—	—	**(1,128)**	—	**(1,128)**
Written off of trade receivables	—	—	**(4,618)**	—	**(4,618)**
Unallocated corporate income					**2,491**
Unallocated corporate expense					**(75,616)**
Profit from operations					**105,931**
Finance costs					**(24,029)**
Profit before taxation					**81,902**
Income tax expenses					**(53,499)**
Profit for the year					**28,403**

6. SEGMENT INFORMATION *(Continued)*

For the year ended 31 December 2010

Continuing operations

	Property Investment HK$'000	Property Development HK$'000	Wah Yuen Foods HK$'000	Total HK$'000
TOTAL REVENUE AND EXTERNAL SALES	—	926,688	64,153	990,841
RESULT				
Segment operating results	(3,069)	381,551	(9,738)	368,744
Fair value gain in respect of investment properties transferred from inventory of properties	478,343	—	—	478,343
Unallocated corporate income				152
Unallocated corporate expense				(44,470)
Profit from operations				802,769
Finance costs				(22,890)
Profit before taxation				779,879
Income tax expenses				(265,776)
Profit for the year				514,103

6. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

Continuing operations

	Property Investment		Property Development		Wah Yuen Foods		Other property-related businesses		Consolidated	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000	**2011 HK$'000**	2010 HK$'000	**2011 HK$'000**	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
ASSETS										
Goodwill	—	—	174,605	174,605	—	—	—	—	174,605	174,605
Inventory of properties	—	2,872	1,213,864	955,323	—	—	—	—	1,213,864	958,195
Investment properties	1,339,024	982,353	—	—	—	—	—	—	1,339,024	982,353
Other assets	12,483	8,895	451,112	485,238	103,547	147,509	68,877	—	636,019	641,642
Segment assets	1,351,507	994,120	1,839,581	1,615,166	103,547	147,509	68,877	—	3,363,512	2,756,795
Unallocated corporate assets									23,766	24,259
Consolidated assets									3,387,278	2,781,054
LIABILITIES										
Segment liabilities	222,097	26,533	1,311,632	1,232,560	31,324	35,455	6,185	—	1,571,238	1,294,548
Unallocated corporate liabilities									166,787	130,939
Consolidated liabilities									1,738,025	1,425,487
OTHER INFORMATION										
Amortisation of prepaid lease payments	—	—	—	—	189	179	—	—	189	179
Additions to property, plant and equipment	423	3,975	10,198	8,563	1,977	153	64,831	—	77,429	12,691
Depreciation of property, plant and equipment	67	383	2,844	1,238	6,733	6,458	1,794	—	11,438	8,079
Additions to investment properties	111,742	504,010	—	—	—	—	—	—	111,742	504,010

6. SEGMENT INFORMATION *(Continued)*

Geographical information

The Group operates in the two principal geographical areas — Hong Kong and the PRC.

The Group's turnover from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed as below:

	Revenue from external customer		Non-current assets	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Hong Kong	**31,690**	42,728	**2,413**	1,620
The PRC	**145,826**	948,113	**1,767,670**	1,311,878
	177,516	990,841	**1,770,083**	1,313,498

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 2011, no single external customers accounted for 10% or more of the Group's consolidated turnover (2010: nil).

7. TURNOVER AND OTHER OPERATING INCOME

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

	2011 HK$'000	2010 HK$'000
Sales of properties	**111,010**	926,688
Sales of goods to outside customers	**40,615**	64,153
Rental income	**24,513**	—
Property-related services income	**1,378**	—
	177,516	990,841
Other operating income:		
Exchange gain	**3,295**	99
Interest income from bank deposits	**2,091**	1,624
Sundry income	**874**	1,665
Total other operating income	**6,260**	3,388
Total income	**183,776**	994,229

8. FINANCE COSTS

Continuing operations

	2011 HK$'000	2010 HK$'000
Interest expense on bank loans, overdrafts and other borrowings wholly repayable within five years	33,278	49,427
Effective interest expense on convertible notes	4,738	11,698
	38,016	61,125
Less: amounts capitalised in the cost of qualifying assets	(13,987)	(38,235)
	24,029	22,890

The weighted average capitalisation rate on funds borrowed generally is 2.27% per annum (2010: 6.78% per annum)

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	2011 HK$'000	2010 HK$'000
Directors' fees	588	495
Salaries and allowances	9,629	4,735
Discretionary bonuses	25,477	—
Retirement benefit scheme contributions	24	61
	35,718	5,291

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

(a) Directors' emoluments

For the year ended 31 December 2011

Name of Director	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonuses HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
EXECUTIVE DIRECTORS					
Mr. Ren Qian	120	—	—	—	120
Ms. Wang Wenxia	120	4,373	10,000	12	14,505
NON-EXECUTIVE DIRECTORS					
Mr. Zhou Kun	60	387	—	—	447
Mr. Duan Chuan Liang (note i)	180	4,869	15,477	12	20,538
INDEPENDENT NON-EXECUTIVE DIRECTORS					
Mr. Wong Chi Ming (note ii)	36	—	—	—	36
Mr. Chan Pok Hiu (note ii)	36	—	—	—	36
Mr. Wang Jian (note vii)	25	—	—	—	25
Mr. Chen Ziqiang (note viii)	11	—	—	—	11
	588	9,629	25,477	24	35,718

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

(a) Directors' emoluments *(Continued)*

For the year ended 31 December 2010

Name of Director	Fees	Salaries and allowances	Retirement benefit scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000
EXECUTIVE DIRECTORS				
Mr. But Chai Tong (note iii)	—	580	24	604
Mr. But Ka Wai (note iv)	—	461	24	485
Mr. Ren Qian	120	—	—	120
Mr. Sun Zhen Yu (note v)	58	442	—	500
Ms. Wang Wenxia	120	2,188	12	2,320
NON-EXECUTIVE DIRECTORS				
Mr. Zhou Kun	60	341	—	401
Mr. Duan Chuan Liang (note i)	33	723	1	757
INDEPENDENT NON-EXECUTIVE DIRECTORS				
Mr. Wong Chi Ming (note ii)	14	—	—	14
Mr. Chan Pok Hiu (note ii)	14	—	—	14
Mr. Tam Pei Qiang (note iii)	18	—	—	18
Ms. Li Ling (note vi)	22	—	—	22
Mr. Chen Ziqiang (note viii)	36	—	—	36
	495	4,735	61	5,291

notes:

(i) Appointed on 25 October 2010

(ii) Appointed on 16 August 2010

(iii) Resigned on 28 June 2010

(iv) Resigned on 25 October 2010

(v) Resigned on 25 June 2010

(vi) Resigned on 16 August 2010

(vii) Appointed on 21 April 2011

(viii) Resigned on 21 April 2011

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

(b) Employees' emoluments

The five highest paid individuals for the year ended 31 December 2011 included two (2010: two) directors of the Company. The emoluments of the remaining three (2010: three) individuals are as follows:

	2011 HK$'000	2010 HK$'000
Salaries and other benefits	2,564	2,364
Retirement benefit schemes contributions	60	24
	2,624	2,388

Their emoluments were within the following bands:

	2011 Number of employees	2010 Number of employees
HK$ Nil to HK$1,000,000	2	3
HK$1,000,001 to HK$2,000,000	1	—
	3	3

(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 EXPENSES

Continuing operations

	2011 HK$'000	2010 HK$'000
The tax charge comprises:		
Current tax:		
Hong Kong Profits Tax		
Current year	53	—
Under provision of prior year	37	—
PRC Enterprise Income Tax ("EIT")		
Current year	6,084	81,960
Over provision of prior year	(15,432)	—
Land Appreciation Tax ("LAT") in the PRC	11,429	67,386
Current tax charge for the year	2,171	149,346
Deferred tax charge for the year (Note 38)	51,328	116,430
	53,499	265,776

Hong Kong Profits Tax is calculated at 16.5% (2010: 16.5%) of the estimated assessables profit arising in Hong Kong for both years.

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

PRC LAT 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 for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2011 HK$'000	2010 HK$'000
Profit before taxation from continuing operations	81,902	779,879
Tax at PRC EIT rate of 25% (2010: 25%)	20,475	194,970
Tax effect of expenses not deductible for tax purposes	42,473	23,831
Tax effect of income not taxable for tax purposes	(20,197)	(28,218)
Tax effect on temporary differences not recognised	43	995
Net over provision in respect of prior year	(9,310)	—
Tax effect on tax losses not recognised	1,989	1,777
Utilisation of tax losses not previously recognised	—	(50)
Effect of different tax rates of subsidiaries operating in other jurisdictions	6,597	5,085
LAT	11,429	67,386
Tax charge for the year (relating to continuing operations)	53,499	265,776

11. PROFIT FOR THE YEAR

Continuing operations

	2011 HK$'000	2010 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Staff costs, including directors' emoluments (Note 9)	68,809	29,390
Retirement benefits scheme contributions, including contributions for directors (Note 9)	2,074	706
Total staff costs	70,883	30,096
Auditors' remuneration	1,014	950
Amortisation of prepaid lease payments	189	179
Depreciation		
— owned assets	13,249	7,948
— assets held under finance leases	131	131
Share-based option expenses	—	16,073
Loss on disposal of property, plant and equipment	514	7
Operating lease rental expenses in respect of rented premises	10,244	4,464

	2011 HK$'000	2010 HK$'000
Gross rental income from investment properties	(24,513)	—
Less: Direct operating expenses from investment properties that generate rental income during the year	3,294	—
	(21,219)	—

12. DISCONTINUED OPERATION

On 21 July 2010, the subsidiary of the Company entered into a sale agreement to dispose its 50% equity interest in Conseco Seabuckthorn Co., Ltd. ("Conseco Seabuckthorn"), which engaged in 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 in the property development business in the PRC.

The loss for the period from 1 January 2010 to 17 September 2010 from discontinued operation is analysed as follows:

	HK$'000
Loss of Seabuckthorn Business for the period	(10,847)
Gain on disposal of a subsidiary	3,548
	(7,299)

12. DISCONTINUED OPERATION *(Continued)*

The results of the Seabuckthorn Business for the period from 1 January 2010 to 17 September 2010, which have been included in the profit or loss, were as follows:

	HK$'000
Turnover	12,388
Cost of sales	(13,158)
Gross loss	(770)
Other operating income	1,041
Selling, distribution and administrative expenses	(10,872)
Finance costs	(205)
Loss before taxation from discontinued operation	(10,806)
Income tax expenses	(41)
Loss for the period from discontinued operation	(10,847)
Attributable to:	
Owners of the Company	(4,645)
Non-controlling interests	(6,202)
	(10,847)
Loss for the period from discontinued operation has been arrived at after charging (crediting):	
Staff costs	5,937
Retirement benefits scheme contributions	1,143
	7,080
Auditors' remuneration	174
Depreciation of property, plant and equipment	3,068
Amortisation of prepaid lease payments	17
Interest income	(13)
Other information:	
Additions of property, plant and equipment	8,586
Cash flows from discontinued operation:	
Net cash outflow from operating activities	(5,757)
Net cash outflow from investing activities	(8,573)
Net cash inflow from financing activities	15,831
Cash flows from discontinued operation	1,501

13. DIVIDENDS

The directors do not recommend the payment of a dividend for the years ended 31 December 2011 and 2010.

14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable is based on the earnings attributable to the equity holders of approximately HK$33,373,000 (2010: approximately HK$509,534,000) and on the weighted average ordinary share of 1,403,163,593 (2010 (restated): 1,149,174,266 shares) deemed to be in issue during the year.

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

From continuing and discontinued operations

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Earnings:		
Earnings for the purpose of basic earnings per share	**33,373**	509,534
Effect of dilutive potential ordinary shares:		
Interest on convertible notes (net of tax)	**3,956**	4,761
Earnings for the purpose of diluted earnings per share	**37,329**	514,295

	2011	2010
	share(s)	share(s)
		(restated)
		(note)
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,403,163,593**	1,149,174,266
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**—**	9,414,340
Convertible notes	**215,683,682**	181,222,222
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**1,618,847,275**	1,339,810,828

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for shares consolidation and open offer on 17 September 2011 and 24 October 2011 respectively.

note: On 24 October 2011, the Company completed a open offer at HK$0.50 per share reflecting a discount of 4.4% to the market price. Accordingly, earnings per share for all periods up to the date on which were issued (including the 2010 comparative) has been adjusted for the bonus element of the issue. The bonus element was 2 shares for every 5 shares owned. The 2010 comparatives have been restated accordingly. Other information relating to the open offer is included in Note 35.

14. EARNINGS PER SHARE *(Continued)*

From continuing operations

	THE GROUP	
	2011 **HK$'000**	2010 HK$'000
Profit for the year attributable to owners of the Company:	**33,373**	509,534
Less:		
Loss for the year from discontinued operation	**—**	1,097
Earnings for the purpose of basic earnings per share	**33,373**	510,631
Effect of dilutive potential ordinary shares:		
Interest on convertible notes (net of tax)	**3,956**	4,761
Earnings for the purpose of diluted earnings per share	**37,329**	515,392

From discontinued operation

For the year ended 31 December 2010, basic loss per share for the discontinued operation was HK0.09 cents, based on the loss for the year from the discontinued operation of approximately HK$10,847,000 and the denominators detailed above for basic loss per share. Diluted loss per share was not presented because the impact of the conversion of convertible notes and the exercise of share options were 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:

	2011 HK$'000	2010 HK$'000
COST		
At 1 January	3,896	4,834
Exchange difference	129	128
Derecognised on disposal of a subsidiary (Note 41)	—	(1,066)
At 31 December	4,025	3,896
ACCUMULATED AMORTISATION		
At 1 January	2,145	1,957
Exchange difference	75	56
Derecognised on disposal of a subsidiary (Note 41)	—	(64)
Amortisation for the year	189	196
At 31 December	2,409	2,145
CARRYING VALUES		
At 31 December	1,616	1,751

The land use rights and leasehold land of the Group as at 31 December 2011 and 2010 are held on medium term leases and situated on:

	2011 HK$'000	2010 HK$'000
Hong Kong	211	219
The PRC	1,405	1,532
	1,616	1,751

16. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Buildings	Furniture and equipment	leasehold improvement for Hotel Operation	Motor vehicles	Plant and machinery	Construction in progress	Loose tools and moulds	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST								
At 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 40)	—	274	—	3,742	—	—	—	4,016
Disposals	—	(8)	—	—	—	—	—	(8)
Derecognised on disposal of a subsidiary	(32,525)	(2,490)	—	(3,442)	(31,474)	(17,295)	—	(87,226)
At 31 December 2010 and 1 January 2011	41,420	31,583	—	12,619	69,344	—	189	155,155
Exchange difference	1,450	595	—	283	2,305	—	—	4,633
Additions	—	2,713	63,362	11,354	—	—	—	77,429
Disposals	—	(6)	—	(1,137)	(1,564)	—	—	(2,707)
Derecognised on disposal of subsidiaries	—	(977)	—	—	—	—	—	(977)
At 31 December 2011	42,870	33,908	63,362	23,119	70,085	—	189	233,533
DEPRECIATION AND IMPAIRMENT								
At 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 40)	—	49	—	569	—	—	—	618
Eliminated on disposals	—	(1)	—	—	—	—	—	(1)
Eliminated on disposal of a subsidiary	(2,463)	(797)	—	(678)	(8,088)	—	—	(12,026)
At 31 December 2010 and 1 January 2011	7,648	19,499	—	6,660	25,194	—	189	59,190
Exchange difference	378	246	6	98	910	—	—	1,638
Provided for the year	1,204	2,487	745	2,901	4,101	—	—	11,438
Eliminated on disposals	—	(2)	—	(400)	(1,218)	—	—	(1,620)
Impairment losses recognised in profit or loss	11,510	2,722	—	—	15,768	—	—	30,000
At 31 December 2011	20,740	24,952	751	9,259	44,755	—	189	100,646
CARRYING VALUES								
At 31 December 2011	22,130	8,956	62,611	13,860	25,330	—	—	132,887
At 31 December 2010	33,772	12,084	—	5,959	44,150	—	—	95,965

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

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rate per annum:

Buildings	Over the relevant lease terms, or 20 years, whichever is the shorter
Furniture and equipment	16%–20%
Leasehold improvement for Hotel operation	14%
Motor vehicles	20%–30%
Plant and machinery	8%–10%
Loose tools and moulds	10%

Details of the pledged of property, plant and equipment as at 31 December 2011 and 2010 are set out in Note 42.

As at 31 December 2010, the carrying value of HK$152,000 (2011: nil) of motor vehicle was of the Group held under finance leases.

17. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2011	2010
	HK$'000	HK$'000
Unlisted shares, at cost	**74,772**	106,022
Amounts due from subsidiaries	**1,268,841**	1,312,376
Amounts due to subsidiaries	**(450,847)**	(708,281)
	892,766	710,117

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 2011 and 2010 are set out in Note 49.

18. INVESTMENT PROPERTIES

	2011 HK$'000	2010 HK$'000
At fair value		
At 1 January	982,353	—
Transfer from inventory of properties	2,941	504,010
Addition	108,801	—
Change in fair value	205,125	478,343
Exchange differences	39,804	—
At 31 December	1,339,024	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 2011 have been arrived at on the basis of a valuation carried out at that date by Peak Vision Appraisals Limited, independent qualified professional valuers not connected to the Group. Peak Vision 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.

Details of the pledged investment properties as at 31 December 2011 and 2010 are set out in Note 42.

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 Seabuckthorn Business cash-generating unit ("CGU") and Property Development Business CGU which were reportable segments, for impairment testing. The Seabuckthorn Business had been disposal of during the year ended 31 December 2010.

19. GOODWILL *(Continued)*

The amount of goodwill capitalised as an asset in the consolidated statement of financial positions, 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 2010	171,613	174,605	346,218
Disposal of a subsidiary	(171,613)	—	(171,613)
At 31 December 2010, 1 January 2011 and 31 December 2011	—	174,605	174,605
IMPAIRMENT			
At 1 January 2010	171,613	—	171,613
Disposal of a subsidiary	(171,613)	—	(171,613)
At 31 December 2010, 1 January 2011 and 31 December 2011	—	—	—
CARRYING VALUES			
At 31 December 2011	—	174,605	174,605
At 31 December 2010	—	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.

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 9.56%. Cash flow beyond the five-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.

19. GOODWILL *(Continued)*

Property development *(Continued)*

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 2011.

20. BIOLOGICAL ASSETS

	THE GROUP Seabuckthorn bushes HK$'000
At 1 January 2010	4,560
Exchange difference	87
Disposal of a subsidiary (Note 41)	(4,647)
At 31 December 2010, 1 January 2011 and 31 December 2011	—

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

The leaves and young branches and berries are used as functional food for their nutrition content (such as berries juices and tea leaves) and medicinal and cosmetics products for their pharmaceutical and antioxidant qualities (such as seabuckthorn oil for skin therapy including sun, heat, chemical and radiation burns, eczema and poorly healing wounds). The products are of a wide variety, from raw materials including seed oil, pulp oil, pulp powder, flavour powder, raw juices, concentrate juices, seedlings, seeds, dried berries and tea leaves, finished products including health products such as flavoured soft capsules, seed oil soft capsules, pulp oil soft capsules, seed oil, pulp oil, tea in packs and cosmetic series.

21. INTANGIBLE ASSETS

The amount of intangible assets represented 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 2010	144	818	962
Written off during the year	3	16	19
Disposal of a subsidiary (Note 41)	(147)	(834)	(981)
At 31 December 2010, 1 January 2011 and 31 December 2011	—	—	—

22. INVENTORIES

	THE GROUP	
	2011 **HK$'000**	2010 HK$'000
Raw materials	**3,415**	4,073
Finished goods	**1,088**	5,778
	4,503	9,851

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	
	2011	2010
	HK$'000	HK$'000
Beginning of the year	**958,195**	412,168
Construction costs incurred	**288,959**	744,061
Capitalisation of interest	**13,987**	38,235
Acquisition of subsidiaries	**—**	723,434
Disposal of a subsidiary	**(7,970)**	—
Disposal recognised in cost of sales	**(58,378)**	(467,789)
Transfer to investment properties	**(2,941)**	(504,010)
Exchange difference	**22,012**	12,096
	1,213,864	958,195

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Properties under development	**1,116,903**	818,972
Properties held for sale	**96,961**	139,223
	1,213,864	958,195

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

Details of the pledged inventories of properties as at 31 December 2011 and 2010 are set out in Note 42.

The amounts which are expected to be realised in more than twelve months after the reporting date are classified as under current assets as it is within the Group's normal operating cycle.

24. TRADE AND OTHER RECEIVABLES

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Trade receivables	**20,702**	24,953
Less: Allowance for doubtful debts	**—**	—
	20,702	24,953
Prepayments for construction work	**46,948**	85,930
Receivable on disposal of subsidiaries	**1,682**	15,599
Refundable deposit placed on acquisition of a property development project in the PRC	**74,256**	71,636
Other receivables, prepayments and other deposits (note)	**101,591**	27,612
	245,179	225,730

note: The prepayment included an amount of approximately HK$71,583,000 for the land development cost payment paid on behalf 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") to develop the land held by the Target Company, a company under the acquisition progress (Note 46) of the Group. The Target Company principally holds the land use right in Wuhan Economic and Technological Development Zone (the "WEDZ"), the PRC. After the completion of the acquisition, the amount will be transferred to the inventory of properties.

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

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Within 90 days	**12,931**	10,303
91 to 180 days	**1,224**	1,437
Over 180 days	**6,547**	13,213
	20,702	24,953

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.

24. TRADE AND OTHER RECEIVABLES *(Continued)*

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 those receivables overdue 365 days, have no material transactions with the Group during the year, and based on the estimation 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 provided for in the profit or loss accordingly 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

	THE GROUP	
	2011 HK$'000	2010 HK$'000
Balance at beginning of the year	**—**	102,301
Amounts written off as uncollectible	**—**	(102,301)
Balance at end of the year	**—**	—

25. DERIVATIVE FINANCIAL INSTRUMENT

	THE GROUP HK$'000
Exchange rate swap	
At 1 January 2010	1,511
Realised on disposal	(1,511)
At 31 December 2010, 1 January 2011 and 31 December 2011	—

26. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

	THE GROUP	
	2011 HK$'000	2010 HK$'000
Bank balances and cash	**150,186**	263,602
Pledged bank deposits (Note 42)	**3,307**	9,978
	153,493	273,580

Cash and bank balances carry interest at market rates which range from 0.01% to 0.50% (2010: 0.01% to 2.75%) per annum. The pledged bank deposits carry interest rate 0.02% (2010: 0.04%) per annum.

Pledged bank deposits represents deposits pledged to banks to secure banking facilities granted to the Group.

27. TRADE AND OTHER PAYABLES

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

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Within 90 days	**71,626**	296,840
91 to 180 days	**69,372**	3,374
Over 180 days	**9,657**	7,469
Trade payables	**150,655**	307,683
Interest payables	**18,882**	14,013
Accrued expenses	**15,202**	17,043
Other tax payable	**5,725**	9,948
Other payables (note)	**132,703**	28,697
	323,167	377,384

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

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

note: The other payables included approximately HK$87,805,000 (2010: Nil) advances from independent third parties. These amounts are unsecured, non-interest bearing and repayable on demand.

28. DEPOSITS RECEIVED FOR SALE AND LEASE OF PROPERTIES

The amounts which are expected to be realised within twelve months after the reporting date are classified under current liabilities as it is within the Group's normal operating cycle.

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Deposits received for sale of properties	**108,242**	60,006
Deposits received for lease of properties	**137,708**	17,831
	245,950	77,837
Less: Amounts shown under current liabilities	**(122,244)**	(77,837)
Amounts shown under non-current liabilities	**123,706**	—

29. OBLIGATIONS UNDER FINANCE LEASES

THE GROUP

	Minimum lease payments		Present value of minimum lease payments	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases:				
Within one year	—	169	—	169
In the second to fifth year inclusive	—	—	—	—
	—	169	—	169
Less: Future finance charges	—	—	—	—
Present value of lease obligations	—	169	—	169
Less: Amount due for settlement within twelve months (shown under current liabilities)			—	(169)
Amount due for settlement after twelve months			—	—

Certain plant and machinery and motor vehicles are held under finance leases. The average lease term is three years. All leases were 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 right over the leased assets.

The finance lease obligations are denominated in Hong Kong Dollars, same as the functional currency of the Group.

The fair value of the Group's lease obligation is approximately equal to their carrying amount.

30. AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

The amounts are unsecured, interest-free and have no fixed terms of repayment. The directors consider that the carrying amount of amounts due approximate to their fair value.

31. AMOUNT(S) DUE TO RELATED PARTIES / A SHAREHOLDER

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Shareholder				
Unsecured and bearing interest at 8% per annum and repayable within one year	**5,000**	50,000	**5,000**	50,000
Unsecured and non-interest bearing, with no fixed terms of repayment	**4,791**	2,246	**4,791**	1,714
Shareholder's subsidiaries				
Unsecured and bearing interest at 12-15% per annum and repayable within one year	**104,507**	—	**—**	—
	114,298	52,246	**9,791**	51,714

32. BORROWINGS

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank overdrafts	**1,259**	1,297	**—**	—
Bank loans	**457,829**	452,530	**—**	—
Other loans	**22,439**	11,765	**20,000**	—
	481,527	465,592	**20,000**	—
Analysis as:				
Secured	**459,088**	453,827	**—**	—
Unsecured	**22,439**	11,765	**20,000**	—
	481,527	465,592	**20,000**	—
Carrying amount repayable				
Within one year	**353,478**	171,474	**20,000**	—
More than one year, but not exceeding two years	**—**	294,118	**—**	—
More than two years, but not more than five years	**128,049**	—	**—**	—
	481,527	465,592	**20,000**	—
Less: Amounts due within one year shown under current liabilities	**(353,478)**	(171,474)	**(20,000)**	—
	128,049	294,118	**—**	—

The bank overdrafts, bank loans and other 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

Convertible notes due on 13 November 2017

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.

The conversion price of 2017 Notes was adjusted from HK$0.15 to HK$0.045 effective from 12 October 2009 upon the completion of placement. The conversion price was adjusted from HK$0.045 to HK$0.3781 effective from 24 October 2011 upon the completion of share consolidation and open offer on 17 September 2011 and 24 October 2011 respectively.

Convertible notes due on 28 November 2010

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 (the "maturity date") 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 of 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.

33. CONVERTIBLE NOTES *(Continued)*

Convertible notes due on 28 November 2010 *(Continued)*

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 was 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 2010 Notes were fully redeemed during the year ended 31 December 2010.

The fair value of the liability component was determined at issuance of the convertible 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 of 2017 Notes and 2010 Notes for the year are set out below:

Carrying amount of liability components	THE GROUP AND THE COMPANY		
	2017 Notes HK$'000	2010 Notes HK$'000	Total HK$'000
At 1 January 2010	**107,975**	73,900	181,875
Interest charged	**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)
At 31 December 2010 and 1 January 2011	**62,172**	—	62,172
Interest charged	**4,738**	—	4,738
Interest paid	**(2,446)**	—	(2,446)
At 31 December 2011	**64,464**	—	64,464

34. DEFEREED INCOME

	2011 **HK$'000**	2010 HK$'000
Arising from rental income	**50,303**	—
Analysed for reporting purpose as		
Current liabilities	**28,189**	—
Non-current liabilities	**22,114**	—
	50,303	—

Deferred rental income amount to HK$31,811,000 has been offset with relevant prepaid expenses.

35. SHARE CAPITAL

	THE GROUP AND THE COMPANY		
	Number of ordinary shares HK$0.01 each	**Number of ordinary shares** HK$0.1 each	**Amount** HK$'000
Authorised:			
At 1 January 2010	20,000,000,000	—	200,000
Increase during the year (note a)	30,000,000,000	—	300,000
At 31 December 2010	50,000,000,000	—	500,000
Shares consolidation (note b)	(50,000,000,000)	5,000,000,000	—
At 31 December 2011	—	5,000,000,000	500,000
Issued and fully paid:			
At 1 January 2010	8,480,001,467	—	84,800
Issue of shares upon exercise of share options (note c)	60,113,268	—	601
Issue of shares upon top-up placing (note d)	1,386,000,000	—	13,860
Issue of shares upon conversion of 2010 Notes (note e)	37,190,082	—	372
Issue of shares upon conversion of 2017 Notes (note f)	1,444,444,443	—	14,444
Issue of shares upon acquisition of subsidiaries (note g)	1,106,475,716	—	11,065
At 31 December 2010	12,514,224,976	—	125,142
Issue of shares upon exercise of share options (note h)	48,081,174	—	481
Shares consolidation (note b)	(12,562,306,150)	1,256,230,615	—
Open offers (note i)	—	502,492,246	50,249
At 31 December 2011	—	1,758,722,861	175,872

35. SHARE CAPITAL *(Continued)*

notes:

(a) 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.

(b) Pursuant to the ordinary resolution passed in the Extraordinary General Meeting of the Company held on 16 September 2011, every ten issued and unissued ordinary shares of HK$0.01 each in the share capital of the Company be consolidated into one share of HK$0.10 (each a "Consolidated Share").

(c) 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.

(d) 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.

(e) 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.

(f) 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.

(g) 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 40 (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 40 (iii)).

(h) On 24 March 2011 and 30 June 2011, 43,081,174 and 5,000,000 ordinary shares were issued for cash consideration of HK$2,278,994 and HK$502,000 respectively, upon exercise of share options at an exercise price of HK$0.0529 and HK$0.1004 respectively.

(i) On 24 October 2011, 502,492,246 Consolidated Shares were issued at HK$0.50 each on the basis of two share for every five Consolidated Shares. Pursuant to the open offer agreement, an amount of HK$112,000,000 of the consideration for the issue of Consolidated Shares was settled by the shareholder's loan and the remaining balance was settled by cash.

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

36. RESERVES

THE COMPANY

	Share premium HK$'000	Contributed surplus HK$'000	Convertible notes equity reserve HK$'000	Share options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 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 notes	—	—	(1,143)	—	1,143	—
Share-based option expenses	—	—	—	16,073	—	16,073
Exercise of share options	9,127	—	—	(2,295)	—	6,832
Share options lapsed/expired	—	—	—	(7,963)	7,963	—
Loss for the year	—	—	—	—	(41,948)	(41,948)
At 31 December 2010 and 1 January 2011	922,088	71,463	25,434	16,494	(580,753)	454,726
Issue of shares on open offer	200,997	—	—	—	—	200,997
Shares issue expenses	(1,739)	—	—	—	—	(1,739)
Exercise of share options	3,525	—	—	(1,225)	—	2,300
Share options lapsed/expired	—	—	—	(2,221)	2,221	—
Loss for the year	—	—	—	—	(46,474)	(46,474)
At 31 December 2011	1,124,871	71,463	25,434	13,048	(625,006)	609,810

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.

The Company's reserves available for distribution to its shareholders comprise of share premium, contributed surplus, convertible notes equity reserve, share option reserve and accumulated losses which in aggregate amounted to approximately HK$610 million as at 31 December 2011 (2010: approximately HK$455 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 retained earnings or other reserves, including the share premium account, of the Company.

37. 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.

37. 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 2011:

Category	Date of grant	Exercise price HK$ At January 2011	Exercise price HK$ Adjusted on 24 October 2011 (note)	Exercisable period	At 1 January 2011	Exercised during the year	Expired during the year	Lapsed during the year	Outstanding before adjustment	Adjusted outstanding at 31 December 2011
Directors/ Employees	25.3.2008	0.0529	N/A	25.3.2008 to 24.3.2011	74,139,697	(43,081,175)	(31,058,522)	—	—	—
	3.11.2010	0.1004	0.9602	3.11.2010 to 2.11.2020	284,752,000	(5,000,000)	—	(35,000,000)	244,752,000	25,590,526
Total					358,891,697	(48,081,175)	(31,058,522)	(35,000,000)	244,752,000	25,590,526

note: The exercise price and the number of shares options outstanding at 31 December 2011 have been adjusted to reflect the effect of the share consolidation and open offer.

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$	Exercisable 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 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 employees for taking up the options granted amounted to HK$2,781,000 (2010: HK$7,433,000). The Group did not incurred share option recognised an expense for the year ended 31 December 2011 (2010: HK$16,073,000) in relation to share options granted by the Company.

37. SHARE OPTION SCHEME *(Continued)*

The fair value of the total options granted in the year measured as at 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.

38. DEFERRED TAX (ASSETS) LIABILITIES

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

	Revaluation on investment properties	Revaluation gain arising from business combination	Accelerated tax depreciation	Tax losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2010	—	—	122	(4,040)	(3,918)
Acquisition of subsidiaries (Note 40)	—	111,603	—	—	111,603
Charged (credited) to the consolidated income statement for the year (Note 10)	119,585	(7,380)	200	4,025	116,430
At 31 December 2010 and 1 January 2011	119,585	104,223	322	(15)	224,115
Exchange difference	5,001	—	—	—	5,001
Charged to the consolidated income statement for the year (Note 10)	51,281	—	32	15	51,328
At 31 December 2011	175,867	104,223	354	—	280,444

As at 31 December 2011, the Group had unused tax losses of HK$27,273,000 (2010: HK$25,897,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses (2010: HK$90,000). No deferred tax has been recognised in respect of the remaining HK$27,273,000 (2010: HK$25,807,000) due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

39. 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 income statement 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.

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

40. ACQUISITION OF ADDITIONAL INTERESTS IN A SUBSIDIARY/ SUBSIDIARIES

(a) Acquisition of additional interests in a subsidiary

During the year ended 31 December 2011, the Group acquired a further 49% equity interest in 武漢未來城商業物業管理有限公司 (Previously known as: 武漢未來城商業投資管理有限公司 and 武漢深茂業商業投資管理有限公司), which engages in provision of management service for investment properties, from 51% to 100% by acquiring the capital from its non-controlling shareholder. The difference of HK$1,691,000 between the proportionate share of the carrying amount of its net assets and the consideration paid for the additional interest has been debited to accumulated profits.

40. ACQUISITION OF ADDITIONAL INTERESTS IN A SUBSIDIARY/ SUBSIDIARIES *(Continued)*

(b) 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 tranch, 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 tranch, 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.

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

	Fair value HK$'000
Net assets acquired:	
Property, 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 35)	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

40. ACQUISITION OF ADDITIONAL INTERESTS IN A SUBSIDIARY/ SUBSIDIARIES *(Continued)*

(b) Acquisition of subsidiaries *(Continued)*

(i) *(Continued)*

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.

(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 100% of the entire equity interest of Wuhan Kai Yue Properties Development Limited (武漢凱越地產開發有限公司), 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 result of the Group, and no revenue has been generated from Wuhan Kai Yue Properties Development Limited for the period between the date of acquisition and 31 December 2010.

40. ACQUISITION OF ADDITIONAL INTERESTS IN A SUBSIDIARY/ SUBSIDIARIES *(Continued)*

(b) 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$0.15 per share upon the completion and issue of 130,681,818 new shares of the Company at an issue price of HK$ 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:	
Property, 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)
Amounts 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 35)	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 HK$2,000,000 contributable to the operation result of the Group, and no revenue has been generated from HK Mei Lai International (Canada) Limited and its subsidiary in Hangzhou for the period between the date of acquisition and 31 December 2010.

41. DISPOSAL OF SUBSIDIARIES

(i) During the year ended 31 December 2011, the Group disposed of its entire interests of 80% and 72% of investment of 南昌華夏藝術谷文化產業發展有限公司 ("南昌華夏") and 長沙中水建達基礎設施建設有限公司 ("長沙中水") respectively.

The net assets of the subsidiaries at the date of disposal were as follows:

Net assets disposed of	南昌華夏 HK$'000	長沙中水 HK$'000	2011 Total HK$'000
Property, plant and equipment	924	53	977
Other receivables	9,233	1,975	11,208
Inventory of properties	—	7,970	7,970
Bank balances and cash	1,617	34,685	36,302
Other payables	—	(3)	(3)
	11,774	44,680	56,454
Non-controlling interests	(2,273)	(11,907)	(14,180)
Release of translation reserve	(411)	(1,523)	(1,934)
	9,090	31,250	40,340
Gain on disposal	—	1,088	1,088
Total consideration	9,090	32,338	41,428

	2011 Total HK$'000
Consideration received in cash	41,428
Less: cash disposed of	(36,302)
Net cash inflow arising on the disposal	5,126

41. DISPOSAL OF SUBSIDIARIES *(Continued)*

(ii) During the year ended 31 December 2010, the Group disposed of its entire interests in Conseco Seabuckthorn Co., Ltd.

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

Net assets disposed of	2010 HK$'000
Property, 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)
Amounts 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

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

42. PLEDGE OF ASSETS

At the end of the reporting period, 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:

	2011 HK$'000	2010 HK$'000
Land and buildings together with relevant land use rights situated in the PRC	1,693,980	341,790
Land and buildings situated in Hong Kong	159	191
Bank deposits	3,307	9,978
	1,697,446	351,959

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

43. OPERATING LEASES

The Group as lessee

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

	THE GROUP	
	2011 HK$'000	2010 HK$'000
Within one year	22,123	4,179
In the second to fifth years inclusive	112,867	2,844
More than five years	19,156	—
	154,146	7,023

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

43. OPERATING LEASES *(Continued)*

The Group as lessor

Property rental income earned during the year was HK$24,513,000 (2010:nil). The properties are expected to generate rental yield of 1.83% on an ongoing basis. All of the properties held have committed tenants within next six years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Within one year	**60,594**	—
In the second to fifth years inclusive	**184,812**	—
After five year	**75,701**	—
	321,107	—

44. CAPITAL COMMITMENTS

As at 31 December 2011, the Group had capital commitments in respect of its construction of properties, contracted but not provided in the consolidated financial statements, amounting to HK$104.5 million (2010: HK$161.2 million).

45. CONTINGENT LIABILITIES

Contingent liabilities at the end of the reporting period are analysed as follows:

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees given in respect of borrowings and other banking facilities for subsidiaries	**—**	—	**48,725**	58,725

The Company has not recognised any deferred income for the guarantees given in respect of borrowing and other banking facilities as their fair value cannot be reliably measured and transaction was minimal.

As at 31 December 2011, the Group had provided guarantees to banks for loans of none (2010: 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 at 31 December 2011 and 2010.

46. DEPOSIT PAID ON ACQUISITION OF A SUBSIDIARY

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 (the "Agreement") with Wuhan Hailuo Commercial Investment Management Co. Limited. (武漢海螺商貿投資管理有限公司) (the "Vendor") to acquire 100% of the entire equity interest of Wuhan Zhong Nan Automobile Parts and Accessories Co. Ltd ("Target Company"), a PRC company principally holding the land use right in WEDZ.

As at 31 December 2011, not all the conditions of the Agreement have been fulfilled and the acquisition procedure is in progress. After the acquisition completed, the Target Company will be treated as a wholly owned subsidiary of the Company and its results will be consolidated into the financial statement of the Group. Therefore, the deposit paid for the acquisition is classified as non-current asset. The details of the acquisition can be referenced to the announcement of the Company dated 6 January 2011.

47. MAJOR NON-CASH TRANSACTION

On 27 September 2011, 502,492,246 Consolidated Shares were issued at HK$0.50 each on the basis of two rights share for every five Consolidated Shares. Pursuant to the right issue agreement, an amount of HK$112,000,000 of the consideration for the issue of Consolidated Shares was settled by the shareholder's loan and the remaining balance was settled by cash.

48. CONNECTED AND RELATED PARTY TRANSACTIONS

(a) 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	**2011** **HK$'000**	2010 HK$'000
Rentals paid to:			
— Lucky Fair Investment Limited	(i)	—	147
— Tai Tung Supermarket Limited	(ii)	—	235

notes:

(i) Mr. But Ka Wai and his family members are the beneficial shareholders of the Company. Mr. But Ka Wai resigned as a director on 25 October 2010 and thereafter, ceased to be a connected party to the Company.

(ii) Rental 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.

(b) Compensation to key management personnel:

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

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2011 and 2010 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Percentage of issued capital/ registered attributable to the Group 2011	2010	Principal activities
Wah Yuen Foods International Limited 華園食品國際有限公司	British Virgin Islands	Ordinary shares USD1,100	100%	100%	Investment holding
Top Rainbow Investments Limited	British Virgin Islands	Ordinary shares USD50,000	100%	100%	Investment holding
Top Harbour Development Limited	British Virgin Islands	Ordinary shares USD50,000	100%	100%	Investment holding
China Water Property Investment Limited 中國水務地產投資有限公司	British Virgin Islands	Ordinary shares USD10,000	100%	100%	Investment holding
Wah Yuen Foods (China) Limited 華園食品(中國)有限公司	British Virgin Islands	Ordinary shares USD1,000	100%	100%	Investment holding
Hong Kong Wah Yuen Foods Company Limited 香港華園食品廠有限公司	British Virgin Islands	Ordinary share HK$1	100%	100%	Investment holding
Wah Yuen Investment Limited 華園投資有限公司	British Virgin Islands	Ordinary shares USD1,000	100%	100%	Investment holding
Wealthstar Investments Limited 裕星投資有限公司	British Virgin Islands	Ordinary shares USD1	100%	100%	Investment holding
Wah Yuen Licensing Company Limited 華園商標有限公司	Cook Islands	Ordinary shares HK$10	100%	100%	Holding of trademarks
Honfine Company Limited 朗耀有限公司	Hong Kong	Ordinary shares HK$10 Non-voting deferred shares HK$2 note (ii)	100%	100%	Distribution and marketing of snack foods products
Wah Yuen Foods (Hong Kong) Company Limited 華園食品(香港)有限公司	Hong Kong	Ordinary shares HK$1,000 Non-voting deferred shares HK$10,000,000 note (ii)	100%	100%	Manufacturing, distribution and marketing of snack food products and convenience frozen food products

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2011 and 2010 are as follows: *(Continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Percentage of issued capital/ registered attributable to the Group 2011	2010	Principal activities
Million Riches Development Limited 裕億發展有限公司	Hong Kong	Ordinary shares HK$100 Non-voting deferred shares HK$1,000,000 note (ii)	100%	100%	Investment holding
Wah Yuen Foods Company Limited 華園食品廠有限公司	Hong Kong	Ordinary shares HK$20	100%	100%	Investment holding
Wah Yuen (Guangzhou) Foods Company Limited 華園(廣州)食品有限公司 note (i)	PRC	Registered and contributed capital USD5,700,000	100%	100%	Manufacturing, distribution and marketing of snack food products
Rocco Foods Enterprises Company (Guangzhou) Limited 廣州樂高食品企業有限公司 note (i)	PRC	Registered and contributed capital USD2,810,000	100%	100%	Manufacturing, distribution and marketing of snack food products
Guangzhou Lekker Pet Foods Company Limited 廣州市俐嘉寵物食品有限公司 note (i)	PRC	Registered and contributed capital HK$500,000	100%	100%	Manufacturing, distribution and marketing of pet food products
Wide Spread Foods Company Limited 廣州宏嘉食品有限公司 note (i)	PRC	Registered and contributed capital HK$500,000	100%	100%	Dormant
China Environmental Water Holdings Limited 中國水環境控股有限公司	Hong Kong	Ordinary share HK$10	100%	100%	Investment holdings
China Water Property Corporate Finance Limited 中國水務地產企業財務有限公司	Hong Kong	Ordinary share HK$10,000	100%	100%	Investment holdings
深圳中水置業有限公司	PRC	Registered and contributed capital RMB80,000,000	100%	100%	Investment holdings
Cedar Base International Limited 易達興業國際有限公司	Hong Kong	Ordinary shares HK$10	100%	100%	Dormant
China Water Property (Hong Kong) Development Limited 中國水務地產(香港)發展有限公司	Hong Kong	Ordinary shares HK$10,000	100%	100%	Investment holding
Karford Development Limited 卡富發展有限公司	British Virgin Islands	Ordinary shares USD1	100%	100%	Investment holding
Waterports International Limited	British Virgin Islands	Ordinary shares USD1	100%	100%	Investment holding

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2011 and 2010 are as follows: *(Continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Percentage of issued capital/ registered attributable to the Group		Principal activities
			2011	2010	
Hense Investments Limited 康士投資有限公司	British Virgin Islands	Ordinary shares USD1	**100%**	100%	Investment holding
China Water Real Property Limited 中國水務房地產有限公司	Hong Kong	Ordinary shares HK$10,000	**100%**	100%	Investment holding
Mega Famous Investment Limited 百榮投資有限公司	Hong Kong	Ordinary shares HK$10,000	**100%**	100%	Investment holding
China Water Property Group (Hong Kong) Limited 中國水務地產集團(香港)有限公司	Hong Kong	Ordinary shares HK$10,000	**100%**	100%	Investment holding
China Water Property Research Limited 中國水務地產開發有限公司	Hong Kong	Ordinary shares HK$10,000	**100%**	100%	Investment holding
China Water Property (Hong Kong) Group Limited 中國水務地產(香港)集團有限公司	British Virgin Islands	Ordinary shares USD1	**100%**	100%	Investment holding
上海聖恒投資有限公司	PRC	Registered and contributed capital RMB15,000,000	**51%**	51%	Investment holding and property development
華園食品(上海)有限公司	PRC	Registered and contributed capital RMB10,000,000	**51%**	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%**	100%	Property development
Northern Sea Development Limited	British Virgin Islands	Ordinary shares USD1	**100%**	100%	Investment holding
Create Capital Development Limited	British Virgin Islands	Ordinary shares USD1	**100%**	100%	Investment holding
Angelink Development Limited	British Virgin Islands	Ordinary shares USD1	**100%**	100%	Investment holding

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2011 and 2010 are as follows: *(Continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Percentage of issued capital/ registered attributable to the Group 2011	2010	Principal activities
HK Mei Lai International (Canada) Limited 香港美來國際(加拿大)有限公司	Hong Kong	Ordinary shares HKD10,000	**60%**	60%	Investment holding
杭州尼加拉置業有限公司	PRC	Registered and contributed capital USD14,900,000 (note i)	**60%**	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 RMB30,000,000 (note i)	**60%**	60%	Property development and sale of properties
武漢未來城商業物業管理有限公司 (Previously known as: 武漢未來城商業投資管理有限公司 and 武漢深茂業商業投資管理有限公司)	PRC	Registered and contributed capital RMB10,000,000	**100%**	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 RMB50,000,000	**100%**	100%	Property development and sale of properties
武漢未來城大酒店管理有限公司 (Previously known as: 武漢茂業國際酒店管理有限公司)	PRC	Registered and contributed capital RMB1,000,000	**100%**	51%	Provision of management service for investment properties
江蘇河海置業有限公司	PRC	Registered and contributed capital RMB11,000,000	**100%**	100%	Property development

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2011 and 2010 are as follows: *(Continued)*

(i) Wah Yuen (Guangzhou) Foods Company Limited, Rocco Foods Enterprises Company (Guangzhou) Limited, Guangzhou Lekker Pet Foods Company Limited, Wide Spread Foods Company Limited, Hangzhou Niagra Real Estates Co. Ltd and Water Property Hubei Limited are wholly foreign owned enterprises established in the PRC.

Hangzhou Pu Tian Property Development Co., Ltd are sino-foreign joint venture enterprise 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 during the year or at the end of reporting period.

The above table lists the subsidiaries of the Group which, in the opinions of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

50. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation.

FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2007* HK$'000	2008* HK$'000	2009* HK$'000	2010 HK$'000	**2011 HK$'000**
Continuing operations					
Turnover	281,054	239,632	100,454	990,841	**177,516**
Profit (loss) from operations	121,702	(290,323)	(300,197)	802,769	**105,931**
Finance costs	(16,234)	(37,300)	(34,963)	(22,890)	**(24,029)**
Profit (loss) before taxation	105,468	(327,623)	(335,160)	779,879	**81,902**
Income tax (expenses) credit	(8,231)	1,342	3,129	(265,776)	**(53,499)**
	97,237	(326,281)	(332,031)	514,103	**28,403**
Discontinued operation	—	—	—	(7,299)	**—**
Profit (loss) before non-controlling interests	97,237	(326,281)	(332,031)	506,804	**28,403**
Non-controlling interests	(45,345)	32,698	15,737	2,730	**4,970**
Profit (loss) for the year attributable to owners of the Company	51,892	(293,583)	(316,294)	509,534	**33,373**
Earnings (losses) per share (expressed in HK cents per share) From continuing and discontinued operations				(restated)	
— Basic	9.19	(17.96)	(7.73)	44.34	**2.38**
— Diluted	2.92	N/A	N/A	38.39	**2.31**

ASSETS AND LIABILITIES

	At 31 December				
	2007* HK$'000	2008* HK$'000	2009* HK$'000	2010 HK$'000	**2011 HK$'000**
Total assets	886,519	553,448	1,092,414	2,781,054	**3,387,278**
Total liabilities	(473,299)	(451,491)	(802,994)	(1,425,487)	**(1,738,025)**
Non-controlling interests	(72,747)	(39,039)	(36,710)	(160,366)	**(136,931)**
Equity attributable to owners of the Company	340,473	62,918	252,710	1,195,201	**1,512,322**

* The result for each of the year from 2007-2009 have not been re-presented for the discontinued operation in 2010.

PROPERTIES PARTICULARS

Property held by the Group at 31 December 2011 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%	—
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%	2012 to 2013
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 2014 will be completed in phases
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%	2012 to 2013