Annual Report

2009

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:

Mr. But Ka Wai *(Chairman)*
Ms. Wang Wenxia *(Vice Chairman)* (1)
Mr. But Chai Tong *(Vice Chairman)*
Mr. Sun Zhen Yu (2)
Mr. Ren Qian (2)
Mr. Ying Wei (resigned on 30 July 2009)
Ms. Gao Jihong (resigned on 30 July 2009)
Mr. But Ching Pui *(Honorary Chairman)* (resigned on 19 June 2009)

Non-executive Directors:

Mr. Zhou Kun (2)
Ms. Wang Fang (resigned on 30 July 2009)
Ms. Leung Wai Ling (resigned on 19 June 2009)

Independent non-executive Directors:

Mr. Chen Ziqiang
Mr. Tam Pei Qiang (3)
Ms. Li Ling (2)
Mr. Ku Siu Fung, Stephen (resigned on 21 October 2009)
Mr. Ip Shing Tong, Francis (resigned on 17 July 2009)
Mr. Cheung Yu Yan, Tommy (resigned on 1 July 2009)

(1) appointed on 23 October 2009
(2) appointed on 30 July 2009
(3) appointed on 1 July 2009

AUDIT COMMITTEE

Mr. Tam Pei Qiang *(Committee Chairman)*
Mr. Chen Ziqiang
Ms. Li Ling

REMUNERATION COMMITTEE

Mr. Chen Ziqiang *(Committee Chairman)*
Mr. Tam Pei Qiang
Ms. Li Ling

COMPANY SECRETARY

Mr. Chong Ching Hei

AUTHORISED REPRESENTATIVES

Ms. Wang Wenxia
Mr. Chong Ching Hei

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

Room 1816-17, 18th Floor
Sun Hung Kai Centre
30 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

AUDITORS

HLM & Co.
Certified Public Accountants

WEBSITE

www.waterpropertygroup.com

CORPORATE PROFILE

On 10 August 2009, the Board was passed on resolution to transform the Company from a food and health products manufacturer to a property market player for reflecting its expansion into property investment and development business in the PRC.

The Company was subsequently renamed China Water Property Group Limited, representing a strong, clear and unified position for the Company in the markets it serves and also a sign of alliance with China Water Affairs Group Limited ("China Water Affairs" SEHK 855) to leverage on a larger market. Majority-owned by China Water Affairs, the Company can take advantage of her financial assistance and also excellent rapport with relevant PRC local governments for us to pursue property development project in the second to third tier cities in the PRC.

Having teamed up the high caliber management with extensive experience in property industry in the PRC, the Company now principally focuses on developing in medium to large property development projects in the provincial cities along the Tangtze Rivers and also in second to third tier cities where have much better visibility on disposal income levels, urbanization rate and population growth over the next few years.

The Company is fully dedicated to the core business in property investment and development industry in the PRC and also taking part in our subordinate divisions – food and seabuckthorn businesses.

KEY HIGHLIGHTS

1

The new corporate identity represented by the new name "China Water Property Group Limited" and new logo has come into effect in September 2009.

2

A new high caliber team of executives with well versed in the PRC real estate industry has been charged with our core property development business.

Ms. Wang Wenxia
Vice Chairman & executive Director

Mr. Sun Zhen Yu and Mr. Ren Qian
Executive Directors

Mr. Zhou Kun
Non executive Director

3

Raised about HK$330 million via open offers and placement to new or existing shareholders in 2009 to deliver a strong working capital and financial flexibility.

4

Acquired a property project with 147,000 square metres prime lots in Wuhan City, Hubei Province, for RMB200 million in 2009.

5

Strategic cooperation with local government of Nanchang on developing a property project features with villas, townhouses and low-rise apartments in Nanchang City, Jiangxi Province, with a total site area of about 2 million square metres, namely "China Cultural & Arts Valley Project".

6

Strategic cooperation with local government of Changsha on developing a property project in Ningxiang County, Changsha City, Hunan Province, with a gross floor area of approximately 667,000 square metres adjacent to Yutan Park.

7

Committed to pro-active fund raising of about HK$202 million by top-up placing in April 2010.

8

Entered into an agreement to acquire a property project with site area of 44,000 square metres in Qiandao Lake of Hangzhou City, Zhejiang Province in 2010.

9

Established a subsidiary and joint venture enterprise in Shandong and Shanghai respectively to target the unique property development projects.

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present the annual results of China Water Property Group Limited (formerly known as China Botanic Development Holdings Limited) for the year ended 31 December 2009.

2009 was a challenging year for the Company as the contraction of global credit markets affecting business environments and investor confidence, negatively impacting operating result and providing a headwind for our subordinate divisions. Against this challenging economic environment, the Company has taken significant and decisive steps to address these market pressures and position the Group for future market opportunities through transformed its principal activity into property development business in the PRC. Our focus this financial year has been in transforming, with sharpening up subordinate divisions and of building on our growth platforms.

With the central government stimulus package and availability of onshore capital, the real estate market in the PRC has been pretty resilient in the second half of 2009. The National Bureau of Statistics of China released the statistics that 2009 GDP increased by 8.7% and the disposable income per capita for urban and rural citizens grew by 9.8% and 8.5% respectively, reflecting an increasingly urbanized of urban and rural areas of second to third tier cities in the PRC. The results show the disposable income levels, urbanization rate and population growth in these second to third tier cities will create a favorable operating environment for us to operate.

The Group had successfully acquired a property development project in Wuhan during the year. To date, the Group has entered into the agreement to acquire a property development project in Qiandao Lake of Hangzhou City and also established the joint venture projects in both Nanchang City and Changsha City with relevant local government. These initial and potential projects will have land resources with an aggregate gross floor area of about 3 million square metres.

Heading into 2010, the Group remains confident that the property development business segment will provide a strong platform from which it will continue to pursue its core strategy of making forward earnings stream and capital value more robust. In 2009, the Group has successfully completed the funding raising via open offers and placing in aggregate of approximately HK$330 million. The Group has also proactively completed a top-up placing about HK$202 million in April 2010 that built a strengthened working capital with significant available liquidity to actively pursue the potential property projects in the PRC.

CHAIRMAN'S STATEMENT

For the subordinate business segments, the Group anticipates 2010 will be a year of repositioning and a transition phase to earnings growth in forthcoming year by undertaking cost control and refinement of productivity in every aspect.

We would like to take this opportunity to thank our Board and management for their dedication in a period that has required substantial commitment of time and energy to meet a range of operating challenges. We would also like to thank our investors for their continued support and we remain committed to ensuring that China Water Property Group is well positioned for the future.

But Ka Wai
Chairman
Hong Kong, 26 April 2010

MANAGEMENT DISCUSSION AND ANALYSIS

To date, China Water Property Group Limited (the "Company", together with its subsidiaries, collectively the "Group") primarily transforms and focuses on developing in medium to large property development projects in the provincial cities along the Yangtze River and also in second to third tier cities such as Hangzhou City, Wuhan City, Changsha City and Nanchang City. The Group has completed its acquisition of a property project – Future City in Wuhan, Hubei Province, the PRC in December 2009. The Group has also entered into strategic joint venture with both the PRC local governments in Nanchang City and Changsha City respectively for property development projects where the Group can take part in the high volume property segment and help leverage development capabilities through these collaborations at our transformation stage. Although the Group transformed in a relatively short space of time, both the initial and potential projects underpinned the well-diversified portfolio of projects covering a wide geographical area and has more to be acquired and developed in the pipeline.

The audited consolidated results of the Group for the year ended 31 December 2009 principally related to the Group's businesses of package food and convenience frozen food products, seabuckthorn and related healthcare products.

RESULTS SUMMARY

The Group has a consolidated turnover of approximately HK$100 million for the year ended 31 December 2009, representing a decrease of approximately 58% over the previous year. As most of the Group's market and customers had continued to weaken during the year against the background of deteriorating economic conditions, the Group suffered a fall in revenue as a result of containment measure in delivery of products through its tighten credit management policy. The Group considered this measure necessary and is in line with our diligent strategies with the prevailing weak economic conditions. In addition, the Group's focus was predominantly on cash management and alleviating the impact on settlement to bank creditors ahead of original schedule as a result of the contraction of credit market took its toll on the manufacturing sector in the first half of the year. These events had caused the Group to look closely at production plans, level of activities and cost efficiency in each of manufacturing sections in which the Group operates in the second half.

Although the Group adapted to these conditions by focusing costs management on which a profit margin of 25% achieved against 18% in last year, the overall operating result of the Group was negatively impacted by fall in revenue, low utilization of capacity and considerable imputed interests over the convertible notes of the Group. In light of these conditions, the impairment charges had been made following a comprehensive review of carrying values of assets for both seabuckthorn and food segment in the amount of HK$242 million in regards of biological assets, goodwill, fixed assets, trade receivables and inventories. The loss attributable to equity holders of the Company amounted to HK$316 million, compared to HK$294 million in last year. The basic loss per share amounted to HK7.73 cents, against basic loss per share of HK17.96 cents (restated) in 2008. The Board does not propose any final dividend for the year ended 31 December 2009.

BUSINESS REVIEW

The PRC Property Development Business

The resilience of PRC property market in the second half of 2009 and the housing prices rose rapidly in certain cities had concerned the central government to issue certain circulars to control the rapid increase in housing prices and cool down of the property market. The Group believes it is in the central government's interest to stabilize the PRC property market. Correspondingly, the urbanization process and the continuous increase of disposable income will continue to support the long-term growth of PRC property market, so the Group expects that the central government will maintain policies that will care for long-term healthy growth and keep potential bubbles under control in the market.

Since the inception in late 2009, the Group has expanded its initial and potential property projects in second to third tier cities such as Wuhan, Hangzhou, Nanchang and Changsha.

During the year under review, the Group had successfully acquired the whole interest in Future City Project in Wuhan at a consideration of RMB200 million which was satisfied by cash of RMB60 million together with allotment and issue of consideration shares in the amount of RMB105 million upon the completion and also either by cash or consideration shares in the amount of RMB35 million five months after the completion. The Group's property segment has incurred the preliminary expenses and operating charges in the amount of HK$2.8 million during the year.

The recent pre-sales launches of Future City Project in first quarter 2010 have met with very favorable response and presold about 77% of the units offered with contracted sales amount of approximately RMB402 million. The project also attained a record high average selling price of RMB10,000 per square metre, well above similar properties in the area. The project revenue and proceeds will come on stream in 2010 and 2011, placing the Company in a stronger position in Wuhan to embark on its property development business. The remaining residential towers and retail podium with a total area of approximately 82,000 square metres will be launched in the remainder of 2010 when the Group obtains licenses from relevant governing authorities to enter into pre-sale activities. The location of Future City Project is sitting at the prime location in Wuhan City and will link to the adjacent mass transit railway station where two major lines intersect. There are several leading department store and universities across the area. The project is targeted to be completed in phases from 2010.

To date, the Group had entered into the agreement to acquire 60% equity interest in a property project company in Qiandao Lake of Hangzhou City, Zhejiang Province. This three-phased development project occupies a site area of 44,000 square metres and has expected gross floor area of 24,000 square metres comprising of 26 luxury lakefront detached villas and a club house with private docking facilities. The first phase consists of six villas with a club house which will be launched in 2010.

In addition, the Group had established the joint venture companies with local government in Changsha City and Nanchang City respectively into property development projects. The Nanchang Project, namely China Cultural & Arts Valley Project ("CCAV Project") in which the Group has a 80% equity interest, is located in a new-established residential and commercial district of Honggutan in Nanchang, which is the capital of Jiangxi Province and also the important economic and transport hub of southern district of China. The CCAV Project will be developed for properties in stage with types of villa, townhouse, low-rise apartment and commercial units with total site area of about 2 million square metres.

The Changsha Project is a joint venture project between the Group, Ningxiang Construction Department and a third party, the Company has a 55% equity interest in this project. The joint venture company will get various kinds of financial concessions in acquiring a parcel of land with about 333,500 square metres and in return promise to redevelop and refurnish the local government ecological leisure park in the area of 514,200 square metres, namely Yutan Park. The project will consist of 600,000 square metres high-rise residential apartment and 66,670 square metres commercial units.

Manufacturing Business

Seabuckthorn and Related Healthcare Products

Being a leading manufacturer and provider of seabuckthorn-related products in the PRC, the Group has its own seabuckthorn cultivation bases in Erdos Plateau, Loess Plateau and seedling bases over a total area of about 340,000 hectares in Beijing, Inner Mongolia Autonomous Region, Shaanxi Province and Shanxi Province as well as Gansu Province.

Total revenue of seabuckthorn business segment decreased by HK$3.9 million, or 10% to HK$34.8 million for the year ended 31 December 2009. Revenue from seabuckthorn related healthcare products increased by 12% growth to HK$15 million while that from seabuckthorn cultivation decreased by 14% to HK$19.8 million which primarily due to the decrease of cultivation works as a result of the change in basin geography.

Despite the Group was striving to achieve the business targets through various measures and costs reduction efforts that drove improvement in gross profit margin at 25.8% against 9.5% in prior year, the seabuckthorn business over the year has been very subdued and recorded a segment loss of HK$13 million. In response to these depressed results the Group had conducted a commensurate review of the carrying value of assets and the segment result of seabuckthorn business was further impacted by impairment charges on goodwill of HK$70 million and fair value change in biological assets of HK$23 million.

The Group will continue to streamline the operating model of seabuckthorn business on the grounds that the visibility of turnaround and help to stanch operating losses in near term is uncertain even though the Group is keeping strenuous and renewed cost reduction measures in all aspects. During the year, the seabuckthorn business segment had taken place the restructuring through a disposal of a subsidiary so as to poise the Group to move in an entirely new direction.

With these sluggish conditions and temporary concerns, the Group will have a cautious view in the current trends of seabuckthorn business.

Packaged Food and Convenience Frozen Food Products

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

During the year under review, the revenue of food business decreased by 67% to HK$65.6 million. The Group continued to take early and tough action to align overheads to a fall in revenue that achieved gross profit margin at 24.9% against 15% in prior year. This improvement, however, has been insufficient to offset the operating costs that the segment result was negatively impacted with a loss of HK$25 million in the year.

The Group had instigated containment measures in delivery of products as a result of the continuation of tough market conditions where the Group had seen certain retailers and distributors delayed or reassessed their orders and competition in our market intensified. Furthermore, the recessionary economic environment and the precipitous decline in consumption in first half also posted exceptional challenges to the market players. Although the negative publicity of food safety surrounded the PRC food industry stabilized, the stringent inspection requirement for all export companies in the PRC still affected the Group's export volume and shipment time in the first half.

These events, including the impact on settlement to bank creditors ahead of original schedule in food business segment as a result of the contraction of credit market in the first half, used the Group to reshape and reposition the food business segment during the year. As such, a commensurate review of the carrying value of assets has been undertaken and the segment result of food business was further impacted by impairment charges on inventories, fixed assets and trade receivables of HK$6.6 million, HK$40 million and HK$102 million respectively.

During the first half, the Group had alleviated the impact of early repayment to bank creditors over the food business segment and also managed the borrowings on a moderate level. The Group will plan to put the food business segment on a solid financial footing independently and take the business into a net cash position and to provide the segment with requisite cash and debt resources to trade through the current economic cycle itself.

Having taken swift action on cost, maintained the customer bases and rescheduled the financing in 2009, the Group believes that the food business will gradually correct its competencies and competitive advantages to benefit from any upturn in its industry in coming years.

FINANCIAL POSITION

The Group has strengthened its financial position by completing the open offers and placement to raise proceeds in aggregate of HK$330 million during the year.

The Group's bank deposits and cash amounted to HK$179 million as at 31 December 2009. The Group's net debt was increased by HK$37 million to HK$384 million, which was made up of HK$563 million in debts and HK$179 million in bank deposits and cash. The total debts as at 31 December 2009 included bank borrowings of HK$381 million and liability component of convertible notes of HK$182 million. The Group's bank borrowings bear a floating rate interest and were primarily denominated in Hong Kong dollar and Renminbi. The Renminbi borrowings were principally used to fund the Group's property development and food business in the PRC.

As at 31 December 2009, the Group's shareholders' equity increased four times to HK$252.7 million and the ratio of net debt to total equity was 1.52, against 5.76 in prior year.

FUTURE PLANS AND PROSPECTS

Our transformation from a food and health products manufacturer to a PRC property developer was all over in a relatively short space of time but our high calibre management team had endeavored to develop a well-diversified portfolio of projects which are available for development over the next few years. The near-term prospect for PRC property developers will be overshadowing by the uncertainty of further measures adopting by the PRC Government for the purpose of maintaining a consensus of economic growth. Correspondingly, the Group will enthuse in pursuing unique projects with attractive returns in the horizons over the second to third tier cities where the PRC Government is prompting to promote on housing segment development under the harmonious urbanizations. The Group is well on this way and also sees the way forward.

The national GDP growth in 2009 was 8.7% but it should be noted that certain provincial capitals were still growing at 16%. The Group realized that China is not a single-market country and these potential growth provincial capitals, being as the second to third tier cities, have huge populations and are well positioned for the next decade to replicate the economic success of the more mature coastal areas. These markets should still offer very compelling upside over the next few years.

The Group has also been committed to proactive capital management initiatives to deliver a strong balance sheet and financial flexibility by raising about HK$202 million by completing a placement in April 2010.

The Group will focus on the core competencies in property development segment in the PRC and these development activities will continue to provide the Group with leverage to the improving economic conditions. The Group will make considerable progress for the subordinate divisions and expect 2010 will be a year of their repositioning and a transition phase to earnings growth in 2011. The Group looks forward to leveraging these strengths to drive an improvement in shareholders returns going forward.

EXPOSURE TO FLUCTUATION IN FOREIGN EXCHANGE

Most of the Group's transactions, assets and liabilities are denominated in Hong Kong dollars or Renminbi. The usual treasury policy of the Group is to manage significant currency exposure and minimize currency risk whenever it may have material impact on the Group. The Group did not enter into new foreign currency forward contracts during the year ended 31 December 2009. The net change in fair value of derivative financial instruments of approximately HK$5.3 million released to the consolidated income statement was arisen from the foreign currency forward contracts signed in prior years. There was no material foreign exchange exposure to the Group during the year under review.

ACQUISITION OF A SUBSIDIARY

On 19 October 2009, a subsidiary of the Group entered into the agreement to acquire the entire equity interest of Wealth Full Global Investments Limited, a company incorporated in the British Virgin Island, and its subsidiary namely 湖北阜城房地產開發有限公司 Hubei Fucheng Property Development Limited, a company established in the PRC engaging in the property development project in the Wuhan City, Hubei Province in the PRC (the "Acquisition"). The Acquisition has been completed in December 2009. The total consideration for the Acquisition was RMB200 million (equivalent to approximately HK$227.3 million) being settled by way of cash of RMB60 million and issue of the Company's new shares in the amount of RMB105 million upon the completion and also either by cash or Company's new shares in the amount of RMB35 million to be settled five months after the completion, resulting the goodwill arising from the Acquisition amounted to HK$174.6 million.

At 31 December 2009, properties under development with the carrying value of HK$412.2 million were recorded on the Group's consolidated statement of financial position.

CAPITAL EXPENDITURE

For the year ended 31 December 2009, capital expenditure of the Group amounted to approximately HK$11.9 million for the purchase of property, plant, equipment. All of the capital expenditure was financed by internal resources.

PLEDGE OF ASSETS

As at 31 December 2009, certain bank deposits, property, plant and equipment and prepaid lease payments with an aggregate carrying amount of approximately HK$200.6 million were pledged as security for certain banking facilities granted to the Group.

CONTINGENT LIABILITIES AND COMMITMENTS

There were no contingent liabilities of the Group as at 31 December 2009. As at 31 December 2009, the Group had capital commitments in respect of its investment in two joint ventures and the construction of properties, contracted but not provided for in the consolidated financial statements, amounting to approximately HK$82.8 million and HK$125.9 million, respectively.

EVENTS AFTER THE END OF REPORTING YEAR

(a) On 31 March 2010, China Water Affairs Group ("CWAG"), the Company and the placing agent entered into the Top-up Placing and Subscription Agreement pursuant to which CWAG agreed to place up to 1,386,000,000 existing shares (the "Placing Shares") to placees at a price of HK$0.146 per placing share (the "Placing") and CWAG had conditionally agreed to subscribe for such number of subscription shares, equal to the number of Placing Shares, at a price of HK$0.146 per subscription share (the "Subscription"). The proceeds from the Subscription amounted to approximately HK$202.4 million. Details are included in the Company's announcement to shareholders dated 1 April 2010. The completion of the Placing and the Subscription took place on 9 April 2010 and 12 April 2010 respectively, as detailed in the Company's announcement to shareholders dated 12 April 2010.

(b) 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 issued share capital of Hangzhou Pu Tian Property Development Co., Ltd., a PRC company principally engaged in property development business in Zhejiang Province at an aggregate consideration of approximately HK$170.5 million (equivalent to RMB150 million). The total consideration shall be settled by way of cash of HK$85.2 million (equivalent to RMB75 million) and issuing 583,748,444 shares of the Company at an issue price of HK$0.146. Further details of this transaction were set out in the Company's announcement dated 8 April 2010.

(c) On 15 April 2010, the Directors proposed an increase in authorised share capital from HK$200 million (divided into 20,000,000,000 ordinary shares of HK$0.01 each) to HK$500 million (divided into 50,000,000,000 ordinary shares of HK$0.01 each) by creating an additional 30,000,000,000 unissued ordinary shares of HK$0.01 each of the Company which, when issued, will rank pari passu with all existing ordinary shares of the Company. Such increase in authorised share capital is conditional upon the passing of an ordinary resolution by the shareholders of the Company at an extraordinary general meeting.

EMPLOYEES AND REMUNERATION POLICIES

At December 2009, the Group's total number of employees stood at approximately 625. Total staff costs for the year under review were approximately HK$33.8 million. The Group offers its workforce comprehensive remuneration and employees' benefits packages.

DIRECTORS AND SENIOR MANAGEMENT BIOGRAPHICAL DETAILS

DIRECTORS

Executive Directors

Mr. But Ka Wai, aged 52, is the Chairman and an executive Director. He is the younger brother of Mr. But Chai Tong. He has over 20 years of experience in the snack food manufacturing business. Mr. But has been responsible for the overall strategic development and formulation of corporate policies of the Group. He is presently a member of the committee of the Huadu District Chinese People's Political Consultative Conference. He was also named as an honorary citizen of Huadu District, Guangzhou, Guangdong Province, the PRC, by the local authority in 1998 for his contribution to the Huadu District.

Ms. Wang Wenxia, aged 50, is the Vice Chairman and an executive Director of the Group. Ms. Wang was responsible for the overall strategic development, making decisions for investment projects and determines 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 People's Republic of China. Ms. Wang has active experience at the management level in structured finance for nearly 20 years, including investment, merger and acquisition, asset management services. Ms. Wang also has management experience spanning various industries including real estate, mining, mineral processing, import and export etc.

Ms. Wang is the chairman, the executive director and the chief executive officer of Sunshine Capital Investments Group Limited ("Sunshine Capital") (previously known as Prime Investments Holdings Limited) (SEHK 721), a company listed on the main board of the Stock Exchange of Hong Kong Limited (the Stock Exchange). As at 31 December 2009, Sunshine Capital holds 592,451,105 issued shares of the Company, representing approximately 6.99% of the total issued share capital of the Company. Ms. Wang was appointed as the Vice Chairman and the executive Director of the Company on 23 October 2009.

Mr. But Chai Tong, aged 55, is the Vice Chairman and an executive Director. He is the elder brother of Mr. But Ka Wai. He has over 20 years of experience in the snack food manufacturing business. Mr. But has been responsible for strategic planning, marketing and sales activities, maintenance of business relationships with the customers and overseeing the general operation of the food business segment of the Group. He is presently a member of the committee of the Huadu District Chinese People's Political Consultative Conference. Mr. But is also a member of the Association of Restaurant Managers Limited.

Mr. Sun Zhen Yu, aged 43, was responsible for strategic development and properties management of the Group. Mr. Sun graduated from the Anhui University majoring in Mathematics in 1987 and obtained a Master Degree of Economics majoring in industrial economics management from the Renmin University of China in 1992. He has over seventeen years of experience in the real estate industry in the People's Republic of China. Mr. Sun was general manager of Sanya Yintai Real Property Limited# (海南三亞銀泰房地產有限公司) and the deputy general manager of Shenzhen Mount Lu Real Estate Limited# (深圳市廬山置業有限公司). Prior to joining the Group, Mr. Sun was the general manager of Jiangxi Nanchang Honggutan City Investment Group Limited# (江西省南昌市紅谷灘城市投資集團有限公司). Mr. Sun was appointed as the executive Director of the Company on 30 July 2009.

DIRECTORS AND SENIOR MANAGEMENT BIOGRAPHICAL DETAILS

Mr. Ren Qian, aged 49, was responsible for strategic development and properties management of the Group. Mr. Ren graduated from the North China University of Water Conservancy And Electronic Power majoring in Agricultural Water (農水系) in 1983 and obtained a Master of Business Administration from the Beijing Normal University in 2001. He has nearly thirty 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. Ren was appointed as the executive Director of the Company on 30 July 2009.

Non-executive Director

Mr. Zhou Kun, aged 42, graduated from the Xian Institute of Industry# (西安輕工學院) majoring in fine arts technology in 1987. He has over twenty 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. Zhou is currently the board chairman of Shenzhen Juzhitang Property Consulting Limited# (深圳市聚智堂地產顧問有限公司). He was appointed as a non-executive Director of the company on 30 July 2009.

Independent non-executive Directors

Mr. Chen Ziqiang, aged 63, a professor-level senior engineer, is the chairman of Jianghe Water Development Center Company Limited (江河水利開發中心有限責任公司). After graduated from the North China University of Water Conservancy and Electric Power (華北水利水電學院) (formerly known as Beijing University of Water Conservancy and Electric Power (北京水利水電學院)), Mr. Chen had served as the University's Secretary of Youth League Committee for 22 years. Mr. Chen is very enthusiastic to the development of water resources; he served as vice president and monitor of Department of Personnel, Labor and Education of the Ministry of Water Resources of the People's Republic of China, vice president of the Chinese Association of Education of Water Resources (中國水利教育協會), vice president of the Chinese Society on Ideological and Political Work for Water Sector (中國水利思想政治研究會), and the Member of Professional Certification Committee of the Ministry of Education (教育部工程專業認證專家委員會).

Mr. Tam Pei Qiang, aged 35, graduated from the Hong Kong Polytechnic University in 1999, he has over ten years of experience in accounting and finance. Mr. Tam is a member of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants in the United Kingdom. Mr. Tam is the financial controller, company secretary of Green Energy Group Limited, a company listed on the main board of the Stock Exchange of Hong Kong Limited. He was appointed as an Independent Non-executive Director of the Company on 1 July 2009.

Ms. Li Ling, aged 36, was qualified as a lawyer in the PRC in 1995 and obtained a Master in Professional Laws in Civil Action (民事訴訟法專業法學碩士學位) from the Henan University in 2001. Ms. Li was the research officer in the Institute of Social Sciences of the Henan Province (河南省社會科學院). She worked in the real property management office (房地產業管理處) of the Shenzhen Municipal Bureau of Land Resources and Housing Management Office (深圳市國土資源和房產管理局) and was responsible for real property marketing management. Ms. Li works in the Shenzhen Municipal Bureau of Land Resources and Housing Management Office# (深圳市國土資源和房產管理局辦公室). She was appointed as an Independent Non-executive Director of the Company on 30 July 2009.

Financial Controller and Company Secretary

Mr. Chong Ching Hei, aged 37, is the financial controller and company secretary of the Group. Mr. Chong received a master degree of professional accounting from the Hong Kong Polytechnic University. He is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chong has over 13 years' working experience in auditing, accounting and corporate finance.

DIRECTORS' REPORT

The directors of the Company (each a "Director") present their annual report and the audited consolidated financial statements of the Company for the year ended 31 December 2009.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at an extraordinary general meeting held on 28 September 2009 and the approval by the Companies Registrar in the Cayman Islands, the name of the Company has been changed from "China Botanic Development Holdings Limited 中國植物開發控股有限公司" to "China Water Property Group Limited 中國水務地產集團有限公司" with effect from 30 September 2009.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 43 to the consolidated financial statements. Save for the property development and investment business acquired in December 2009 as set out in note 35 to the consolidated financial statements, there were no significant change in the nature of the Group's principal activities during the year. Consequential to the change of Company name and the business acquisition, the business of the Group will be focused primarily on property development and investment in the PRC.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 December 2009 are set out in the consolidated income statement on page 35.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2009.

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 107 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment and properties under development of the Group during the year are set out in notes 15 and 21 to the consolidated financial statements, respectively. Further details of the Group's major property are set out on page 108.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 30 to the consolidated financial statements.

CONVERTIBLE NOTES

Details of the movements in convertible notes during the year are disclosed in note 29 to the consolidated financial statements.

RESERVES

Details of the movements in reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity from pages 40 to 41 and note 32 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

Distributable reserves of the Company is HK$104.2 million as at 31 December 2009, which comply with the Cayman Companies Law.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, 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 SECURITIES

Except for the share placement by the Company in November 2009, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's ordinary shares during the financial year ended 31 December 2009.

DIRECTORS

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

Executive Directors:

Mr. But Ka Wai *(Chairman)*	
Ms. Wang Wenxia *(Vice Chairman)* (1)	
Mr. But Chai Tong *(Vice Chairman)*	
Mr. Sun Zhen Yu (2)	
Mr. Ren Qian (2)	
Mr. But Ching Pui *(Honorary Chairman)*	(resigned on 19 June 2009)
Mr. Ying Wei	(resigned on 30 July 2009)
Ms. Gao Jihong	(resigned on 30 July 2009)

Non-executive Directors:

Mr. Zhou Kun (2)	
Ms. Leung Wai Ling	(resigned on 19 June 2009)
Ms. Wang Fang	(resigned on 30 July 2009)

Independent non-executive Directors:

Mr. Chen Ziqiang	
Mr. Tam Pei Qiang (3)	
Ms. Li Ling (2)	
Mr. Cheung Yu Yan, Tommy	(resigned on 1 July 2009)
Mr. Ip Shing Tong, Francis	(resigned on 17 July 2009)
Mr. Ku Siu Fung, Stephen	(resigned on 21 October 2009)

(1) appointed on 23 October 2009
(2) appointed on 30 July 2009
(3) appointed on 1 July 2009

In accordance with Article 112, Ms. Wang Wenxia, Mr. Sun Zhen Yu, Mr. Ren Qian, Mr. Zhou Kun, Mr. Tam Pei Qiang and Ms. Li Ling shall retire from office by rotation at the forthcoming annual general meeting; Mr. Tam Pei Qiang will not offer himself for re-election; whereas in accordance with Article 108, Mr. But Chai Tong shall retire from office by rotation at the forthcoming annual general meeting. Being eligible, each of Ms. Wang Wenxia, Mr. But Chai Tong, Mr. Sun Zhen Yu and Mr. Ren Qian will offer himself/herself for re-election as executive Director; Mr. Zhou Kun will offer himself for re-election as non-executive Director; and Ms. Li Ling will offer herself for re-election as independent non-executive Director at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACT

Mr. Chen Ziqiang, Mr. Tam Pei Qiang and Ms. Li Ling as the independent non-executive Directors whose are proposed for re-election at the forthcoming annual general meeting have service contracts with the Company which are determinable by the Group within one year with payment of compensation, other than statutory compensation.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out from pages 13 to 15 of this annual report.

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

As 31 December 2009, the interests and short positions of each Director and the chief executive of the Company in Shares, underlying shares and debentures of the Company and its associated corporations within the meaning of Part XV of the SFO, as recorded in the register maintained by the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

Long positions in ordinary Shares of the Company as at 31 December 2009:

Name of Director	Corporate Interests (Shares)	Personal Interests (Shares)	Total Interests (Shares)	Approximate percentage of issued share capital of the Company (%)
Mr. But Ka Wai	16,664,000	–	16,664,000	0.1965%

Note: These Shares were held by Able Success Group Limited ("Able Success") which is wholly owned by Mr. But Ka Wai.

Save as disclosed above, as at 31 December 2009, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in shares, underlying shares or debentures of the Company or its associated corporations as recorded in the register required to be maintained under section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

Details of the movements in the share options of the Company during the year are set out in note 31 to the consolidated financial statements.

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

		Exercise price HK$			Number of share options		
Category	Date of grant	At 1 January 2009	At 31 December 2009 (note)	As at Exercise period	Granted 1 January 2009	Adjustment for open offer	As at 31 December 2009
Employees	18.07.2007	1.32	0.1378	18.07.2007 to 17.07.2010	6,500,000	53,613,268	60,113,268
	26.11.2007	1.21	0.1208	26.11.2007 to 25.11.2010	6,000,000	54,113,267	60,113,267
	14.12.2007	1.12	0.1118	14.12.2007 to 13.12.2010	2,000,000	18,037,756	20,037,756
	25.03.2008	0.53	0.0529	25.03.2008 to 24.03.2011	12,000,000	42,101,941	54,101,941
Consultants	18.07.2007	1.32	0.1378	18.07.2007 to 17.07.2010	5,000,000	45,094,390	50,094,390
Total					31,500,000	212,960,622	244,460,622

Note: Adjusted for open offer.

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 42 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 2009, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital.

Name of substantial Shareholders	Capacity/ Nature of interest	Number of shares held (Shares)	Approximate percentage of issued share capital of the Company (%)
China Water Affairs Group Limited (Note 1)	Beneficial owner and Interest of controlled corporation	1,984,706,172	23.40
Highest Growth Holdings Limited	Interest of controlled corporation	846,228,234	9.98
Sunshine Capital Investments Group Limited	Interest of controlled corporation	592,451,105	6.99
Atlantis Investment Management Limited	Investment manager	592,451,105	6.99

Long positions in the underlying shares of the Company

Name of substantial Shareholders	Capacity/ Nature of interest	Number of shares held (Shares)	Approximate percentage of issued share capital of the Company (%)
China Water Affairs Group Limited (Note 2)	Interest of controlled corporation	3,145,555,556	37.09
Sunshine Capital Investments Group Limited (Note 3)	Interest of controlled corporation	197,887,971	2.33

Note:

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

(2) Convertible notes in the principal amount of HK$141,550,000 carrying the rights to subscribe for shares at conversion price of HK$0.045 per share was issued by the Company to Good Outlook Investments Limited ("Good Outlook") on 13 November 2007 to satisfy part of the consideration of the acquisition of the entire issued share capital of China Water Environmental Holdings Limited. If the conversion rights attached to the convertible notes had been fully exercised, 3,145,555,556 shares would be issued at the conversion price of HK$0.045 per share. China Water Affairs is deemed to be interested in the said underlying shares by virtue of its wholly owned interest in Good Outlook.

(3) These shares of the Company were held by Global Business Investment Enterprises Limited, a wholly owned subsidiary of Sunshine Capital Investments Group Limited ("Sunshine Capital") (previously known as Prime Investments Holdings Limited). Therefore, Sunshine Capital was deemed to be beneficially interested in the said shares of the Company held by Global Business Investment Enterprises Limited for the purposes of the SFO.

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 2009.

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 42 to the consolidated financial statements. None of these related party transactions constitute a connected transaction as defined in the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

The top five suppliers in aggregate and the single largest supplier of the Group accounted for approximately 27% and 14% for the Group's total purchases for the year ended 31 December 2009 respectively.

The top five customers in aggregate and the single largest customer of the Group accounted for approximately 54% and 16% for the Group's total sales for the year ended 31 December 2009 respectively.

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

PUBLIC FLOAT

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

MANAGEMENT CONTRACT

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

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 41 to the consolidated financial statements.

AUDITORS

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

On behalf of the Board

But Ka Wai
Chairman

Hong Kong, 26 April 2010

CORPORATE GOVERNANCE REPORT

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

For the year ended 31 December 2009, the Company has applied the principles of the recently promulgated Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules and complied with the code provisions (the "Code Provisions") of the CG Code. The Board continues to review and update the practices from time to time to ensure compliance with the legal and commercial standards.

BOARD OF DIRECTORS

1. The Board of Directors

As at 31 December 2009, the Board consisted of nine Directors, comprising Mr. But Ka Wai *(Chairman)*, Ms. Wang Wenxia *(Vice Chairman)*, Mr. But Chai Tong *(Vice Chairman)*, Mr. Sun Zhen Yu and Mr. Ren Qian as executive Directors; Mr. Zhou Kun as a non-executive Director and Mr. Chen Ziqiang, Mr. Tam Pei Qiang and Ms. Li Ling as the 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 of 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 met eight times for the year ended 31 December 2009 and considered; reviewed and approved significant matters including the placing of Shares, the change in principal activities of the Group, open offer, the 2008 annual report and the 2009 interim report of the Company.

Individual attendance of each Director at Board meetings during for the year ended 31 December 2009 is set out below:

			Meetings Attendance	Attendance rate
Executive Directors				
1.	Mr. But Ka Wai *(Chairman)*		7/8	88%
2.	Ms. Wang Wenxia *(Vice Chairman)* (1)		3/3	100%
3.	Mr. But Chai Tong *(Vice Chairman)*		7/8	88%
4.	Mr. Sun Zhen Yu (2)		4/5	80%
5.	Mr. Ren Qian (2)		4/5	80%
6.	Mr. Ying Wei	(resigned on 30 July 2009)	1/3	33%
7.	Ms. Gao Jihong	(resigned on 30 July 2009)	2/3	67%
8.	Mr. But Ching Pui *(Honorary Chairman)*	(resigned on 19 June 2009)	2/3	67%
Non-executive Directors				
9.	Mr. Zhou Kun (2)		4/5	80%
10.	Ms. Wang Fang	(resigned on 30 July 2009)	1/3	33%
11.	Ms. Leung Wai Ling	(resigned on 19 June 2009)	1/3	33%
Independent Non-executive Directors				
12.	Mr. Chen Ziqiang		4/8	50%
13.	Mr. Tam Pei Qiang (3)		5/5	100%
14.	Ms. Li Ling (2)		5/5	100%
15.	Mr. Ku Siu Fung, Stephen	(resigned on 21 October 2009)	3/5	60%
16.	Mr. Ip Shing Tong, Francis	(resigned on 17 July 2009)	2/3	67%
17.	Mr. Cheung Yu Yan, Tommy	(resigned on 1 July 2009)	2/3	67%

(1) appointed on 23 October 2009

(2) appointed on 30 July 2009

(3) appointed on 1 July 2009

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

2. Board Composition

As at 31 December 2009, the Board comprises five executive Directors, one non-executive Director and three independent non-executive Directors. Mr. But Chai Tong, the executive Director, is the elder brother of Mr. But Ka Wai, the Chairman and executive Director.

The Board has received annual confirmations of independence in writing from each of the independent non-executive Directors and believed that all the independent non-executive Directors met the guidelines for assessment of independence as set out in Rule 3.13 of the Listing Rules.

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

3. Appointment, Re-election and Removal of Directors

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

As at 31 December 2009, the 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 Articles.

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

Since the Company establishes a nomination committee participates in the appointment of new Directors. In evaluating whether an appointee is suitable to act as a Director, the nomination committee will consider the experience and skills of the appointee; as well as personal ethics, integrity and the willingness to commit time in the affairs of the Group. Where the appointee is appointed as an independent non-executive Director, the Board will also consider his/her independence. During for the year ended 31 December 2009, 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 2009, 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 is Mr. But Ka Wai although there is no chief executive officer, the relevant job responsibilities are taken up by the Vice Chairman, Ms. Wang Wenxia. Their respective responsibilities are clearly defined and set out in writing.

The chairman of the Company (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 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.

BOARD COMMITTEE

1. Audit Committee ("AC")

The AC's membership comprised the independent non-executive Directors as at 31 December 2009, namely, Mr. Tam Pei Qiang (Committee Chairman); Mr. Chen Ziqiang and Ms. Li Ling.

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

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

- to review and supervise the Group's financial reporting process including the review of interim and annual results of the Group;
- to review the external auditors appointment, remuneration and any matters relating to resignation or termination;
- to examine the effectiveness of the Group's internal control which involves regular review in various corporate structures and business process; and

- to realize corporate objective and strategy by taking into account the potential risk and the nature of its urgency in order to ensure the effectiveness of the Group's business operations. The scope of such reviews includes finance, operations, regulatory compliance and risk management.

The AC met two times during for the year ended 31 December 2009 with an attendance rate of 100% and reviewed the interim results and the annual results of the Group for the year ended 31 December 2008. The AC had also reviewed the Group's audited annual results of for the year ended 31 December 2009. 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 2009 are set out below:

			No. of attendance / No. of meetings	Attendance rate
Independent non-executive Directors				
1.	Mr. Tam Pei Qiang [1] *(Committee Chairman)*		1/1	100%
2.	Mr. Chen Ziqiang [2]		N/A	N/A
3.	Ms. Li Ling [3]		1/1	100%
4.	Mr. Ku Siu Fung, Stephen	(resigned on 21 October 2009)	2/2	100%
5.	Ms. Wang Fang	(resigned on 30 July 2009)	1/1	100%
6.	Mr. Ip Shing Tong, Francis	(resigned on 17 July 2009)	1/1	100%

(1) appointed as committee member on 1 July 2009

(2) appointed as committee member on 27 October 2009

(3) appointed as committee member on 30 July 2009

2. Remuneration Committee ("RC")

The Board has established the RC in 16 September 2005 with terms of reference, comprising a majority of independent non-executive Directors, which meets at least once a year. It is chaired by Mr. Chen Ziqiang and comprises two other members, namely Mr. Tam Pei Qiang and Ms. Li Ling. 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 once during for the year ended 31 December 2009 with an attendance rate of 100% and reviewed its terms of reference, the remuneration policy of the Group and the remuneration packages of Directors and senior management staff.

The attendance records of RC meeting held during for the year ended 31 December 2009 are set out below:

			No. of attendance / No. of meetings	Attendance rate
Independent non-executive Directors				
1.	Mr. Chen Ziqiang (1) *(Committee Chairman)*		N/A	N/A
2.	Mr. Tam Pei Qiang (2)		N/A	N/A
3.	Ms. Li Ling (3)		N/A	N/A
4.	Mr. Ku Siu Fung, Stephen	(resigned on 21 October 2009)	1/1	100%
5.	Ms. Wang Fang	(resigned on 30 July 2009)	1/1	100%
6.	Mr. Ip Shing Tong, Francis	(resigned on 17 July 2009)	1/1	100%

(1) appointed as committee member on 27 October 2009

(2) appointed as committee member on 1 July 2009

(3) appointed as committee member on 30 July 2009

3. Nomination Committee ("NC")

The NC was set up on 16 September 2005, constituted by three independent non-executive Directors, namely, Ms. Li Ling (Chairman of the Committee), Mr. Chen Ziqiang and Mr. Tam Pei Qiang.

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

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

The attendance records of NC meeting held during for the year ended 31 December 2009 are set out below:

		No. of attendance / No. of meetings	Attendance rate
Independent non-executive Directors			
1. Ms. Li Ling [(1)] *(Committee Chairman)*		N/A	N/A
2. Mr. Tam Pei Qiang [(2)]		N/A	N/A
3. Mr. Chen Ziqiang [(3)]		N/A	N/A
4. Mr. Ip Shing Tong, Francis	(resigned on 17 July 2009)	1/1	100%
5. Mr. Ku Siu Fung, Stephen	(resigned on 21 October 2009)	1/1	100%
6. Ms. Wang Fang	(resigned on 30 July 2009)	1/1	100%

(1) appointed as committee member on 30 July 2009

(2) appointed as committee member on 1 July 2009

(3) appointed as committee member on 27 October 2009

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a Code for Securities Transactions by Directors of the Group (the "Company's Model Code") on terms no less exacting than the required standard set out in Model Code contained in Appendix 10 of the Listing Rules.

Having made specific enquiries to all Directors, they have confirmed that they had complied with the required standards set out in both the Company's Model Code and the Model Code throughout the year ended 31 December 2009.

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 2009, 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 for the year ended 31 December 2009, the fees paid to HLM & Co, the Group's external auditor, include HK$750,000 for audit services of the Group and approximately HK$430,000 for non-audit related services in respect of open offers and major transaction of the Group.

COMMUNICATION WITH SHAREHOLDERS

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

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

The AGM provides a useful platform for Shareholders to exchange views with the Board. The chairman of the Board 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 values the communications with its existing and potential investors and believes that investor relations can help the public enhance their understanding of the Group, increase their recognition of the Group's development and ultimately enhance shareholder value.

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（前稱中國植物開發控股有限公司）
(Formerly known as China Botanic Development Holdings Limited)
(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 106 which comprise the consolidated and Company statement of financial positions as at 31 December 2009, 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 and the true and fair presentation of these consolidated financial statements 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. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 as to whether the consolidated financial statements are free from material misstatement.

INDEPENDENT AUDITORS' REPORT

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements 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 2009 and the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLM & Co.
Certified Public Accountants

Hong Kong, 26 April 2010

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000
Turnover	7	**100,454**	239,632
Cost of sales		**(75,151)**	(196,163)
Gross profit		**25,303**	43,469
Gain arising from initial recognition of biological assets at fair value less estimated point-of-sales costs	7	**–**	10,308
Other operating income	7	**3,734**	8,908
Selling and distribution expenses		**(21,055)**	(29,527)
Administrative expenses		**(66,121)**	(78,935)
Finance costs	8	**(34,963)**	(37,300)
Operating loss before impairment charges		**(93,102)**	(83,077)
Change in fair value of biological assets less estimated point-of-sales costs		**(23,284)**	(59,542)
Impairment on goodwill		**(69,904)**	(108,859)
Impairment on property, plant and equipment		**(39,888)**	–
Impairment on trade receivables		**(102,301)**	(41,538)
Write-off of inventories		**(6,681)**	(34,607)
Loss before tax		**(335,160)**	(327,623)
Income tax credit	10	**3,129**	1,342
Loss for the year	11	**(332,031)**	(326,281)
Attributable to:			
Owners of the Company		**(316,294)**	(293,583)
Minority interests		**(15,737)**	(32,698)
Loss for the year		**(332,031)**	(326,281)
Dividends	12	**–**	–
Loss per share (expressed in HK cents per share)	13		
			(restated)
Basic		**(7.73) Cents**	(17.96) Cents
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
Loss for the year	**(332,031)**	(326,281)
Other comprehensive income:		
Exchange differences arising on translation	–	11,098
Total comprehensive expense for the year (net of tax)	**(332,031)**	(315,183)
Total comprehensive expense attributable to:		
Owners of the Company	**(316,294)**	(282,485)
Minority interests	**(15,737)**	(32,698)
	(332,031)	(315,183)

All of the Group's operations are classified as continuing operations. The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Prepaid lease payments	14	**2,877**	3,079
Property, plant and equipment	15	**157,467**	195,856
Biological assets	17	**4,560**	27,844
Intangible assets	18	**962**	1,014
Goodwill	19	**174,605**	73,480
Deferred tax assets	33	**3,918**	660
		344,389	301,933
CURRENT ASSETS			
Inventories	20	**33,048**	43,395
Properties under development	21	**412,168**	–
Trade and other receivables	22	**122,523**	162,763
Tax recoverable		**156**	2,010
Derivative financial instruments	23	**1,511**	6,864
Pledged bank deposits	24	**13,973**	15,294
Bank balances and cash	24	**164,646**	21,189
		748,025	251,515
CURRENT LIABILITIES			
Trade and other payables	25	**204,543**	44,929
Obligations under finance leases	26	**618**	3,999
Derivative financial instruments	23	**–**	1,831
Tax payable		**2,354**	302
Amounts due to minority shareholders of subsidiaries	27	**13,357**	5,652
Amount due to a shareholder	27	**20,420**	15,000
Borrowings	28	**241,575**	98,781
Convertible notes	29	**73,900**	–
		556,767	170,494
NET CURRENT ASSETS		**191,258**	81,021
TOTAL ASSETS LESS CURRENT LIABILITIES		**535,647**	382,954
NON-CURRENT LIABILITIES			
Obligations under finance leases	26	**377**	996
Borrowings	28	**137,875**	17,845
Convertible notes	29	**107,975**	262,156
		246,227	280,997
TOTAL NET ASSETS		**289,420**	101,957

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	NOTE	2009 HK$'000	2008 HK$'000
CAPITAL AND RESERVES			
Share capital	30	**84,800**	6,919
Reserves		**167,910**	55,999
Equity attributable to owners of the Company		**252,710**	62,918
Minority interests		**36,710**	39,039
TOTAL EQUITY		**289,420**	101,957

The consolidated financial statements on pages 35 to 106 were approved and authorised for issue by the board of directors on 26 April 2010 and are signed on its behalf by:

Wang Wenxia	**But Ka Wai**
DIRECTOR	*DIRECTOR*

STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSET			
Interests in subsidiaries	16	**382,273**	314,210
CURRENT ASSETS			
Amount due from a related party		**450**	–
Bank balances		**145**	21
		595	21
CURRENT LIABILITIES			
Other creditors and accruals		**11,997**	7,579
Convertible notes	29	**73,900**	–
Amount due to a shareholder	27	**–**	2,000
		85,897	9,579
NET CURRENT LIABILITIES		**(85,302)**	(9,558)
TOTAL ASSETS LESS CURRENT LIABILITIES		**296,971**	304,652
NON-CURRENT LIABILITIES			
Borrowings	28	**–**	3,750
Convertible notes	29	**107,975**	262,156
		107,975	265,906
TOTAL NET ASSETS		**188,996**	38,746
CAPITAL AND RESERVES			
Share capital	30	**84,800**	6,919
Reserves	32	**104,196**	31,827
TOTAL EQUITY		**188,996**	38,746

The financial statements on pages 35 to 106 were approved and authorised for issue by the board of directors on 26 April 2010 and are signed on its behalf by:

Wang Wenxia
DIRECTOR

But Ka Wai
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Share capital HK$'000	Share premium HK$'000	Convertible notes equity reserve HK$'000	Share options reserve HK$'000	Special reserve HK$'000	PRC statutory reserve HK$'000	Translation reserve HK$'000	Accumulated profit (losses) HK$'000	Attributable to owners of the Company HK$'000	Minority interests HK$'000	Total HK$'000
As at 1 January 2008	6,919	85,883	58,645	3,890	10,816	25,565	9,669	139,086	340,473	72,747	413,220
Loss for the year	–	–	–	–	–	–	–	(293,583)	(293,583)	(32,698)	(326,281)
Translation exchange differences	–	–	–	–	–	–	11,098	–	11,098	–	11,098
Total comprehensive expense for the year	–	–	–	–	–	–	11,098	(293,583)	(282,485)	(32,698)	(315,183)
Share-based option expenses	–	–	–	4,930	–	–	–	–	4,930	–	4,930
Reduction in minority interests on acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	–	(1,010)	(1,010)
As at 31 December 2008 and 1 January 2009	6,919	85,883	58,645	8,820	10,816	25,565	20,767	(154,497)	62,918	39,039	101,957
Loss for the year and total comprehensive expense	–	–	–	–	–	–	–	(316,294)	(316,294)	(15,737)	(332,031)
Issue of shares on acquisition of a subsidiary	8,462	110,856	–	–	–	–	–	–	119,318	–	119,318
Issue of shares on conversion of convertible notes	6,113	49,599	(10,795)	–	–	–	–	–	44,917	–	44,917
Issue of shares on open offers	61,230	255,299	–	–	–	–	–	–	316,529	–	316,529
Issue of shares on top-up placing	2,076	27,400	–	–	–	–	–	–	29,476	–	29,476
Shares issue expenses	–	(6,013)	–	–	–	–	–	–	(6,013)	–	(6,013)
Release from redemption of convertible note	–	–	(909)	–	–	–	–	909	–	–	–
Share-based option expenses	–	–	–	1,859	–	–	–	–	1,859	–	1,859
Contributions from minority shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	13,408	13,408
As at 31 December 2009	84,800	523,024	46,941	10,679	10,816	25,565	20,767	(469,882)	252,710	36,710	289,420

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

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.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES			
Loss before tax		**(335,160)**	(327,623)
Adjustments for:			
Interest expenses		**34,963**	37,300
Interest income		**(227)**	(1,312)
Depreciation of property, plant and equipment		**10,472**	16,231
Amortisation of prepaid lease payments		**202**	196
Write-off of intangible assets		**52**	–
Loss (gain) on disposal on property, plant and equipment		**96**	(35)
Gain on disposal of a subsidiary		**(37)**	–
Share-based option expenses		**1,859**	4,930
Gain arising from initial recognition of biological assets at fair value less estimated point-of-sales costs		**–**	(10,308)
Change in fair value of biological assets less estimated point-of-sales costs		**23,284**	59,542
Write-off of inventories		**6,681**	34,607
Impairment on goodwill		**69,904**	108,859
Impairment on trade receivables		**102,301**	41,538
Impairment on property, plant and equipment		**39,888**	–
Loss on disposal of derivative financial instruments		**135**	–
Net change in fair value of derivative financial instruments		**5,303**	(5,033)
Operating cash flows before movements in working capital		**(40,284)**	(41,108)
Decrease (increase) in inventories		**3,408**	(12,214)
Decrease in trade and other receivables		**2,381**	17,149
Increase (decrease) in trade and other payables		**666**	(17,187)
Cash used in operations		**(33,829)**	(53,360)
Interest paid		**(11,732)**	(19,978)
Hong Kong Profits Tax refunded (paid), net		**810**	(1,687)
PRC Enterprise Income Tax refunded (paid)		**2,052**	(5,613)
NET CASH USED IN OPERATING ACTIVITIES		**(42,699)**	(80,638)
INVESTING ACTIVITIES			
Increase in pledged bank deposits		**–**	19,622
Acquisition of additional interest in a subsidiary		**–**	(2,174)
Purchase of property, plant and equipment		**(11,853)**	(12,444)
Decrease in deposits paid for acquisition of a subsidiary		**–**	5,519
Net cash outflow on disposal of subsidiary	40	**(27)**	–
Net cash outflow on acquisition of subsidiaries	35	**(54,479)**	(5,211)
Increase in intangible assets		**–**	(458)
Interest received		**227**	1,312
Proceeds from disposal of property, plant and equipment		**21**	492
Settlements of derivative financial instruments		**(1,916)**	–
NET CASH (USED IN) GENERATED FROM INVESTING ACTIVITIES		**(68,027)**	6,658

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
FINANCING ACTIVITIES		
Borrowings raised	**53,485**	219,439
Repayment of bank borrowings	**(101,766)**	(246,255)
Contribution from minority shareholders of subsidiaries	**13,408**	–
Capital element of finance leases	**(4,000)**	(8,501)
Advances from a shareholder	**21,243**	3,374
Advances from minority shareholders of subsidiaries	**7,705**	159
Proceeds from issue of new shares	**330,182**	–
Expenses on issue of new shares	**(6,013)**	–
Payment on redemption of convertible notes	**(54,306)**	–
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES	**259,938**	(31,784)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**149,212**	(105,764)
Effect of foreign exchange rate change	**–**	2,600
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**20,205**	123,369
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**169,417**	20,205
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**164,646**	21,189
Pledged bank deposit	**9,973**	11,294
Bank overdrafts	**(5,202)**	(12,278)
	169,417	20,205

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

1. GENERAL

China Water Property Group Limited (formerly known as China Botanic Development Holdings Limited) (the "Company") is an exempted company with limited liability incorporated in the Cayman Island under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 9 October 2002. The name of the Company was changed from China Botanic Development Holdings Limited to China Water Property Group Limited with effect from 30 September 2009.

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 financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are (i) manufacture, sales and distribution of snack food and convenience frozen food products; (ii) the cultivation and sale of seabuckthorn seedlings, and manufacturing and sale of seabuckthorn related products; and (iii) development of property project in the PRC. Details of the principal subsidiaries are set out in note 43.

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

In the current year, the Group has adopted the following new and revised standards, amendments and interpretations (the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are or have become effective for the Group's financial year beginning on 1 January 2009.

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 (Amendments)	Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK (IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK (IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009, in relation to the amendment to paragraph 80 of HKAS 39

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

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

Except as described below, the directors of the Company anticipate the adoption of the new and revised HKFRSs had no material effect on how the results and financial position of the Group for the current or prior accounting periods have been prepared and presented.

HKAS 1 (Revised) Presentation of Financial Statements

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

The new format for the consolidated statement of comprehensive income and the consolidated statement of changes in equity has been adopted in this financial report and corresponding amounts have been restated to conform to the new presentation. The Standard introduces the accounts of "Other comprehensive income/expense for the year" and "Total comprehensive income/expense for the year" into the consolidated statement of comprehensive income. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

HKFRS 7 Financial Instruments: Disclosures

The amended Standard requires additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures.

HKFRS 8 Operating Segments

This Standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary and secondary reporting segments of the Group. Adoption of this Standard did not have any significant effect on the financial position or performance of the Group. The Group determined that the operating segments were the same as the business segments previously identified under HKAS 14 Segment Reporting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

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

The Group has not early applied the following new standard, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters[3]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments (relating to the classification and measurement of financial assets)[7]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate
3 Effective for annual periods beginning on or after 1 January 2010
4 Effective for annual periods beginning on or after 1 February 2010
5 Effective for annual periods beginning on or after 1 July 2010
6 Effective for annual periods beginning on or after 1 January 2011
7 Effective for annual periods beginning on or after 1 January 2013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

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. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year. 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 financial statements from the date that control commenced or up to the date that control ceased. 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 significant intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority interest's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority interest has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is 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 meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current 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, which are recognised and measured at fair value less costs to sell.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The minority interest in the acquiree is initially measured at the minority interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on acquisition of a subsidiary for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on acquisition of a subsidiary is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Government grants

A government grant is recognised only when there is reasonable assurance that (a) the enterprise will comply with any conditions attached to the grant and (b) the grant has been approved and will be received. Government grants shall be recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. They shall not be credited directly to shareholders' interests. A grant receivable as compensation for costs already incurred or for immediate financial support, with no future related costs, should be recognised as income in the period in which it is receivable. Grants related to income are presented as a credit in the consolidation income statement, under a general heading "Other income".

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Construction in progress for production or administrative purpose are carried at cost less any identified impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

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.

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

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a Group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees 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 financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designed as at FVTPL, of which interest income is included in net gains or losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

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

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

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

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables) are carried at amortised cost using the effective interest method, less any identified impairment losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's 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, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

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 through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis other than those financial liabilities designated as at FVTPL, of which the interest expense is included in net gains or losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL comprise derivative financial instruments.

At each balance sheet date subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Convertible notes

Convertible notes issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition. 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 classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the notes into equity, is included in equity (convertible notes equity reserve).

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes equity reserve until the embedded option is exercised. Where the option remains unexercised at the expiry date, the balance stated in convertible notes equity reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

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

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. 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 event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, 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 directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. 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 as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Contingent liabilities

Contingent liabilities acquired in a business combination are initially measured at fair value at the date of acquisition. At subsequent balance sheet date, 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 (if appropriate).

Contingent assets

Contingent assets are not recognised. If, in subsequent periods, it has become virtually certain that an inflow of economic benefits will arise, the asset and income are recognised in the period in which the change occurs.

Equity settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period with a corresponding increase in equity (share options reserve).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Equity settled share-based payment transactions *(Continued)*

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

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 or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated profits.

Impairment losses on tangible and intangible assets other than goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

Leasing

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

The Group as lessee

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets

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

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

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

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

Biological assets

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

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

Taxation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax is recognised on 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, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the consolidated statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Properties under development

Properties under development is included in current assets at the lower of cost and net realisable value.

The costs of properties under development consist of construction expenditures, amounts capitalised in respect of amortisation of upfront payments of land use rights, borrowing costs directly attributable to construction of such properties and other direct costs. Net realisable value is based on estimated selling price in the ordinary course of business as determined by management with reference to the prevailing market conditions, less further costs expected to be incurred to completion and selling and marketing costs. On completion, the properties, together with related land use rights, are transferred to completed properties held for sale. Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle, which are classified as properties held for development under non-current assets.

No depreciation is provided on properties under development.

Retirement benefit costs

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on 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 arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

Cash and cash equivalents

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key sources of estimation uncertainty at the balance sheet dates, 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 2009, the Group reported impairment loss for certain property, plant and equipment at approximately HK$39,888,000 (2008: HK$Nil).

(c) Estimated impairment on inventories

The management of the Group reviews an aging analysis of the inventories at each balance sheet date, and identifies obsolete and slow-moving inventory items that are no longer suitable for use in production. The management estimates the net realizable 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 each balance sheet date and provide impairment on obsolete items.

(d) Allowance for doubtful debts

The Group's provision policy for doubtful debts is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required. As at 31 December 2009, the carrying amount of trade receivable is approximately HK$25,914,000 (2008: HK$120,470,000) (net of allowance for doubtful debts of approximately HK$102,301,000 (2008: HK$41,735,000)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

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

(e) Estimated impairment on goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than previously estimated, a material impairment loss may arise in the future period. As at 31 December 2009, the carrying amount of goodwill is approximately HK$174,605,000 (2008: HK$73,480), net of accumulated impairment loss of HK$171,613,000 (2008: HK$108,859,000). Details of the recoverable amount calculation are disclosed in note 19.

(f) Estimation of fair value of biological assets

The Group's biological assets are stated at fair value less point-of-sale cost. This requires an independent valuer's assessment of the fair value of the biological assets. The carrying amount of the Group's biological assets at 31 December 2009 is approximately HK$4,560,000 (2008: HK$27,844,000). Details of the valuation are disclosed in note 17.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Currency risk management

Certain trade receivables of the Group are denominated in foreign currencies which expose the Group to foreign currently 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 2009 HK$'000	**Liabilities 2009 HK$'000**	Assets 2008 HK$'000	Liabilities 2008 HK$'000
Renminbi ("Rmb")	**203,756**	**411,077**	221,027	126,332

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

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

Currency risk management *(Continued)*

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in Rmb against Hong Kong dollar.
The following table shows the sensitivity analysis of a 5% increase/decrease in Rmb against the Hong Kong dollars, the effect in the loss for the year is as follows:

	Impact of Rmb 2009 HK$'000	Impact of Rmb 2008 HK$'000
Increase/decrease in loss for the year	**10,366**	4,735

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 balance sheet date based on contractual undiscounted payments are summarised below:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

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

Liquidity risk management *(Continued)*

	2008			
	On demand	Within 1 year	1-5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Trade and other payables	44,929	–	–	44,929
Obligations under finance leases	–	3,999	996	4,995
Derivatives financial liabilities	1,831	–	–	1,831
Amounts due to minority shareholders of subsidiaries	5,652	–	–	5,652
Amount due to a shareholder	15,000	–	–	15,000
Tax payables	302	–	–	302
Borrowings	–	98,781	17,845	116,626
Convertible notes	133,949	–	128,207	262,156
	201,663	102,780	147,048	451,491

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 2009 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

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

Interest rate risk management

The Group

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

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

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

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 balance sheet date. For non-bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date 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 loss for the year ended 31 December 2009 would increase/decrease by HK$2,013,000 (2008: HK$809,000).

The Company

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

Sensitivity analysis

If interest rates have been 100 basis points higher/lower and all other variables were held constant, the Company's loss for the year ended 31 December 2009 would increase/decrease by HK$1,000 (2008: HK$37,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

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

Fair values

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date 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, 2009, the Group had following financial instruments carried at fair value all of which are based on the Level 2 of the fair value hierarchy:–

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Assets		
Derivative financial instruments	**1,511**	6,864
Liabilities		
Derivative financial instruments	**–**	1,831

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

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

Fair values *(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 2009 and 2008 except as follows:

	2009		2008	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
The Group				
Cash and cash equivalents	**169,417**	**169,417**	20,205	20,205
Trade and other receivables	**122,523**	**122,523**	162,763	162,763
Trade and other payables	**(204,543)**	**(204,543)**	(44,929)	(44,929)
Amount due to a shareholder	**(20,420)**	**(20,420)**	(15,000)	(15,000)
Amount due to minority shareholders of subsidiaries	**(13,357)**	**(13,357)**	(4,995)	(4,995)
Obligations under finance leases	**(995)**	**(995)**	(4,995)	(4,995)
Borrowings	**(379,450)**	**(379,450)**	(104,348)	(104,348)
Convertible notes	**(181,875)**	**(181,875)**	(262,156)	(262,156)

Estimation of fair value

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

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

(i) Cash and cash equivalents, pledged bank deposits, trade and other receivables, advance deposits, trade and other payables, advance receipts and amount due to a shareholder and amounts due to minority 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

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

Estimation of fair value *(Continued)*

(iii) Derivatives

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

(iv) Interest rates used for determining fair value

The Group uses the appropriate market yield curve or benchmark rate as of 31 December 2009 plus an appropriate constant credit spread to calculate the fair value of its interest bearing debt.

(v) Convertible notes

Appropriate valuation methods and assumptions with reference to market conditions existing at each balance sheet date 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 30.

Commodity price risk management

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

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

Price risk management

The Group has no any investment held for trading as at 31 December 2009, therefore, no price risk exposed to the Group at the year end.

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 2009, the Group's strategy remained unchanged as compared to that of 2008. Management of the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowing divided by total equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

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

Capital risk management *(Continued)*

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

	2009 **HK$'000**	2008 HK$'000
Borrowings, net of cash and bank balance	**200,831**	80,143
Convertible notes	**181,875**	262,156
Obligations under finance leases	**995**	4,995
Total debts	**383,701**	347,294
Total assets	**1,092,414**	553,448
Total debts to total assets ratio	**0.35**	0.63

The decrease in the gearing ratio during the year resulted primarily from the issue of new shares arising from the two open offers in March and September 2009, respectively, and the top-up placing in November 2009. After the completion of the open offers and top-up placing, the Company has received the proceeds of approximately HK$330,182,000, which has resulted in the improvement in the gearing ratio of the Group.

6. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal 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. In contrast, the predecessor Standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 nor the basis of measurement of segment profit or loss. Specifically, segment information reported externally was analysed on the basis of the types of goods supplied provided by the Group's operating divisions, which is the same information reported to the chief operating decision maker. The Group's operating and reportable segments under HKFRS 8 are as follows:

– Property Development Business Segment engages in development of property project in the PRC.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

6. SEGMENT INFORMATION *(Continued)*

Segment revenues and results

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

For the year ended 31 December 2009 and 2008

	Property development business		Wah Yuen Foods Business		Seabuckthorn Business		Eliminations		Consolidated	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
REVENUE										
External sales	**–**	–	**65,612**	200,913	**34,842**	38,719	**–**	–	**100,454**	239,632
Inter-segment sales	**–**	–	**38,800**	37,841	**–**	78	**(38,800)**	(37,919)	**–**	–
Total revenue	**–**	–	**104,412**	238,754	**34,842**	38,797	**(38,800)**	(37,919)	**100,454**	239,632
RESULT										
Segment operating results\ before impairment charges	**(2,822)**	–	**(25,243)**	(24,712)	**(12,986)**	(27,855)	**–**	–	**(41,051)**	(52,567)
Gain arising from initial recognition of biological assets at fair value less estimated point-of-sales costs	**–**	–	**–**	–	**–**	10,308	**–**	–	**–**	10,308
Change in fair value of derivative financial instruments	**–**	–	**(5,303)**	–	**–**	–	**–**	–	**(5,303)**	–
Change in fair value of biological assets less estimated point-of-sales costs	**–**	–	**–**	–	**(23,284)**	(59,542)	**–**	–	**(23,284)**	(59,542)
Impairment on goodwill	**–**	–	**–**	–	**(69,904)**	(108,859)	**–**	–	**(69,904)**	(108,859)
Impairment on property, plant and equipment	**–**	–	**(39,888)**	–	**–**	–	**–**	–	**(39,888)**	–
Impairment on trade receivables	**–**	–	**(102,301)**	(41,538)	**–**	–	**–**	–	**(102,301)**	(41,538)
Write-off of inventories	**–**	–	**(6,589)**	(34,607)	**(92)**	–	**–**	–	**(6,681)**	(34,607)
Unallocated corporate income									**3,734**	8,908
Unallocated corporate expense									**(15,519)**	(12,426)
Loss from operations									**(300,197)**	(290,323)
Finance costs									**(34,963)**	(37,300)
Loss before tax									**(335,160)**	(327,623)
Income tax credit									**3,129**	1,342
Loss for the year									**(332,031)**	(326,281)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

6. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

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

As at 31 December 2009 and 2008

	Property development business		Wah Yuen foods business		Seabuckthorn business		Consolidated	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
ASSETS								
Goodwill	**174,605**	–	**–**	–	**–**	73,480	**174,605**	73,480
Biological assets	**–**	–	**–**	–	**4,560**	27,844	**4,560**	27,844
Properties under development	**412,168**	–	–	–	**–**	–	**412,168**	–
Others	**191,187**	–	**194,384**	310,049	**108,203**	105,592	**493,774**	415,641
Segment assets	**777,960**	–	**194,384**	310,049	**112,763**	206,916	**1,085,107**	516,965
Unallocated corporate assets							**7,307**	36,483
Consolidated total assets							**1,092,414**	553,448
LIABILITIES								
Segment liabilities	**502,070**	–	**74,374**	20,827	**49,908**	31,568	**626,352**	52,395
Unallocated corporate liabilities							**176,642**	399,096
Consolidated total liabilities							**802,994**	451,491
OTHER INFORMATION								
Additions to property, plant and equipment	**355**	–	**1,027**	27,615	**10,826**	2,220	**12,208**	29,835
Depreciation of property, plant and equipment	**93**	–	**6,175**	11,823	**4,204**	4,412	**10,472**	16,235
Write-off of intangible assets	**–**	–	**–**	–	**52**	–	**52**	–
Amortisation of prepaid lease payments	**–**	–	**179**	174	**23**	22	**202**	196

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

6. SEGMENT INFORMATION *(Continued)*

Geographical information

The following table provides an analysis of the Group's sales and results by geographical segment, irrespective of the origins of the goods or services.

	Sales revenue by geographical segment		Segment results by geographical segment	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
The PRC	**42,004**	83,936	**(28,212)**	(37,178)
Hong Kong	**58,450**	155,696	**(12,839)**	(15,389)
	100,454	239,632	**(41,051)**	(52,567)

The following is an analysis of the carrying amount of segment assets and capital expenditure, analysed by the geographical areas in which the assets are located:

	Assets		Capital expenditure	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
The PRC	**1,030,367**	405,551	**12,112**	28,746
Hong Kong	**54,740**	111,414	**96**	1,089
	1,085,107	516,965	**12,208**	29,835

The segment assets are excluded the unallocated corporate assets.

Information of major customers

Included in revenues arising from sales of Wah Yuen Foods of approximately HK$65,612,000 (2008: approximately HK$200,913,000) are revenues of approximately HK$36,954,000 (2008: approximately HK$125,567,000) which arose from sales to the Group's three (2008: five) major customers and each major customer accounted for more than 10% of the Group's total turnover.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

7. TURNOVER AND OTHER OPERATING INCOME

Turnover represents the amount received and receivable for goods sold, less returns and allowances.

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

	2009 HK$'000	2008 HK$'000
Sales of goods to outside customers	**100,454**	239,632
Gain arising from initial recognition of biological assets at fair value less estimated point-of-sales costs	**–**	10,308
Other operating income:		
Exchange gain	**1,589**	–
Gain on disposal of a subsidiary (note 40)	**37**	–
Interest income from bank deposits	**227**	1,312
Net change in fair value of derivative financial instruments	**–**	5,033
Sundry income	**1,881**	2,563
	3,734	8,908
Total income	**104,188**	258,848

Investment income derived from financial assets is as follows:

	2009 HK$'000	2008 HK$'000
Financial assets designated as at fair value through profit or loss	**–**	5,033
Loans and receivables (including cash and bank balances)	**227**	1,312

8. FINANCE COSTS

	2009 HK$'000	2008 HK$'000
Interest expense on bank loans, overdrafts and other borrowings wholly repayable within five years	**7,400**	10,450
Interest expense on obligations under finance leases	**102**	466
Effective interest expense on convertible notes	**27,461**	26,384
	34,963	37,300

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	2009 HK$'000	2008 HK$'000
Directors' fees, salaries and other benefits	4,246	2,759
Retirement benefit scheme contributions	60	55
	4,306	2,814

(a) Directors' emoluments

For the year ended 31 December 2009

Emoluments	Fees HK$'000	Salaries and other benefits HK$'000	Total HK$'000
EXECUTIVE DIRECTORS			
Mr. But Chai Tong	–	1,025	1,025
Mr. But Ka Wai	–	1,141	1,141
Mr. Ren Qian (Note i)	51	–	51
Mr. Sun Zhen Yu (Note i)	51	529	580
Ms. Wang Wenxia (Note ii)	23	229	252
Mr. But Ching Pui (Note iii)	–	180	180
Ms. Gao Ji Hong (Note iv)	–	150	150
Mr. Ying Wei (Note iv)	–	510	510
NON-EXECUTIVE DIRECTORS			
Mr. Zhou Kun (Note i)	237	–	237
Ms. Leung Wai Ling (Note iii)	23	–	23
Ms. Wang Fang (Note iv)	21	–	21
INDEPENDENT NON-EXECUTIVE DIRECTORS			
Mr. Chen Ziqiang	36	–	36
Ms. Li Ling (Note i)	15	–	15
Mr. Tam Pei Qiang (Note v)	18	–	18
Mr. Ip Shing Tong, Francis (Note vii)	27	–	27
Mr. Ku Siu Fung, Stephen (Note viii)	40	–	40
Total for 2009	542	3,764	4,306

Notes:

(i) Appointed on 30 July 2009
(ii) Appointed on 23 October 2009
(iii) Resigned on 19 June 2009
(iv) Resigned on 30 July 2009
(v) Appointed on 1 July 2009
(vi) Resigned on 1 July 2009
(vii) Resigned on 17 July 2009
(viii) Resigned on 21 October 2009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

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

(a) Directors' emoluments *(Continued)*

For the year ended 31 December 2008

Emoluments	Fees HK$'000	Salaries and other benefits HK$'000	Total HK$'000
EXECUTIVE DIRECTORS			
Mr. But Ching Pui	–	360	360
Mr. But Ka Wai	–	427	427
Mr. But Chai Tong	–	415	415
Mr. Gao Ji Hong	–	182	182
Mr. Ying Wei	–	1,117	1,117
NON-EXECUTIVE DIRECTORS			
Ms. Leung Wai Ling	50	–	50
Mr. Ngai Chun Kong, Stephen	38	–	38
Ms. Wang Fang	10	–	10
INDEPENDENT NON-EXECUTIVE DIRECTORS			
Mr. Cheung Yu Yan, Tommy	100	–	100
Mr. Ip Shing Tong, Francis	50	–	50
Mr. Ku Siu Fung, Stephen	50	–	50
Mr. Chen Ziqiang	15	–	15
Total for 2008	313	2,501	2,814

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

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

(b) Employees' emoluments

The five highest paid individuals for the year ended 31 December 2009 included two (2008: one) executive directors of the Company. The emoluments of the remaining three (2008: four) individuals are as follows:

	2009 HK$'000	2008 HK$'000
Salaries and other benefits	**2,111**	2,388
Retirement benefit schemes contributions	**57**	91
	2,168	2,479

The emoluments of each of the three (2008: four) highest paid individuals were less than HK$1,000,000.

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

10. INCOME TAX CREDIT

	2009 HK$'000	2008 HK$'000
The tax (credit) charge comprises:		
Current tax:		
Hong Kong Profits Tax		
Current year	**–**	–
Over provision in prior years	**(80)**	(522)
PRC Enterprise Income Tax		
Current year	**29**	219
Under provision in prior years	**180**	–
Current tax charge (credit) for the year	**129**	(303)
Deferred tax credit for the year (note 33)	**(3,258)**	(1,039)
	(3,129)	(1,342)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

10. INCOME TAX CREDIT *(Continued)*

The new Corporate Income Tax Law in PRC increases the corporate income tax rate for foreign investment enterprises from previous preferential rates to 25% with effect from 1 January 2008. Companies established in the PRC before 16 March 2007 and previously taxed at the rate lower than 25% may be offered a gradual increase of tax rate to 25% within 5 years. Certain subsidiaries of the Company established in the PRC will enjoy preferential income tax rate from 2008 to 2011 and be taxed at the rate of 25% from 2012 when the preferential treatment expires.

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

	2009 **HK$'000**	2008 HK$'000
Loss before tax	**(335,160)**	(327,623)
Tax at PRC Enterprise Income Tax rate of 25% (2008: 25%)	**(83,790)**	(81,906)
Tax effect of expenses not deductible for tax purposes	**91,761**	88,520
Tax effect of income not taxable for tax purposes	**(21,944)**	(10,341)
Tax effect on temporary differences not recognised	**(3,219)**	(787)
Under / (over) provision in respect of prior year	**100**	(522)
Tax effect on tax losses not recognised	**8,485**	3,224
Utilisation of tax losses not previously recognised	**(49)**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**5,527**	470
Tax credit for the year	**(3,129)**	(1,342)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

11. LOSS FOR THE YEAR

	2009 HK$'000	2008 HK$'000
Loss for the year has been arrived at after charging (crediting):		
Staff costs, including directors' emoluments (note 9)	**32,197**	27,395
Retirement benefits scheme contributions, including contributions for directors (note 9)	**1,630**	2,315
Total staff costs	**33,827**	29,710
Auditors' remuneration	**828**	821
Amortisation of prepaid lease payments	**202**	196
Depreciation		
– owned assets	**10,170**	13,996
– assets held under finance leases	**302**	2,235
Write-off of intangible assets	**52**	–
Share-based option expenses	**1,859**	4,930
Write-off of inventories	**6,681**	34,607
Exchange (gain) loss	**(1,589)**	6,733
Impairment on trade receivables	**102,301**	41,538
Impairment on goodwill	**69,904**	108,859
Impairment on property, plant and equipment	**39,888**	–
Change in fair value of biological assets less estimated point-of-sales costs	**23,284**	59,542
Gain arising from initial recognition of biological assets at fair value less estimated point-of-sales costs	**–**	(10,308)
Loss (gain) on disposal of property, plant and equipment	**96**	(35)
Net change in fair value of derivative financial instruments	**5,303**	(5,033)
Operating lease rentals paid in respect of rented premises	**2,769**	3,742

12. DIVIDENDS

The directors do not recommend the payment of a dividend for the years ended 31 December 2009 and 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

13. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable is based on the loss attributable to the equity holders of approximately HK$316,294,000 (2008: HK$293,583,000) and on the weighted average number of ordinary shares of 4,091,644,726 (2008: (restated) 1,634,633,314) deemed to be in issue during the year. The loss per share for the year ended 31 December 2008 is restated due to the issuance of new shares upon open offers.

The calculation of basic and diluted loss per share is based on the following data:

	The Group	
	2009	2008
	HK$'000	HK$'000
Loss:		
Loss for the purpose of basic loss per share	**(316,294)**	(293,583)
Effect of dilutive potential ordinary shares:		
Interest on convertible notes	**9,333**	26,384
Loss for the purpose of diluted loss per share	**(306,961)**	(267,199)

	2009	2008 (restated)
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic loss per share	**4,091,644,726**	1,634,633,314
Effect of dilutive potential ordinary shares:		
Share options	**6,183,084**	–
Convertible notes	**3,256,666,667**	1,285,648,018
Weighted average number of ordinary shares for the purposes of diluted loss per share	**7,354,494,477**	2,920,281,332

Diluted loss per share for the year ended 31 December 2009 and 2008 were not presented because the impact of the conversion of convertible notes and the exercise of share options was anti-dilutive.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

14. 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:

	2009 HK$'000	2008 HK$'000
At cost		
As at 1 January	**4,834**	4,640
Exchange difference	**–**	194
As at 31 December	**4,834**	4,834
Accumulated amortisation		
As at 1 January	**1,755**	1,493
Exchange difference	**–**	66
Amortisation for the year	**202**	196
As at 31 December	**1,957**	1,755
Carrying values		
As at 31 December	**2,877**	3,079

The land use rights and leasehold land of the Group as at 31 December 2009 are held on medium term leases and situated in the PRC and Hong Kong respectively.

	2009 HK$'000	2008 HK$'000
In Hong Kong	**226**	234
In the PRC	**2,651**	2,845
	2,877	3,079

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

15. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Buildings HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Plant, and machinery HK$'000	Construction In progress HK$'000	Loose tools and moulds HK$'000	Total HK$'000
COST							
At 1 January 2008	89,157	30,239	8,165	135,142	600	189	263,492
Exchange difference	3,975	851	128	6,077	35	–	11,066
Acquisition of subsidiaries	–	190	202	–	–	–	392
Additions	229	591	1,528	401	27,086	–	29,835
Transfer in/(out)	–	7,566	–	18,877	(26,443)	–	–
Disposals	–	(381)	(1,113)	(71)	–	–	(1,565)
At 31 December 2008 and 1 January 2009	93,361	39,056	8,910	160,426	1,278	189	303,220
Additions	23	557	599	1,775	8,899	–	11,853
Acquisition of a subsidiary	–	113	242	–	–	–	355
Impairment	(22,032)	(11,703)	–	(64,660)	–	–	(98,395)
Disposals	(159)	(12)	(1,046)	–	(66)	–	(1,283)
Derecognised on disposal of a subsidiary	–	(151)	–	–	–	–	(151)
At 31 December 2009	71,193	27,860	8,705	97,541	10,111	189	215,599
DEPRECIATION AND IMPAIRMENT							
At 1 January 2008	12,372	20,537	6,109	49,812	–	154	88,984
Exchange difference	520	404	57	2,110	–	–	3,091
Acquisition of subsidiaries	–	62	104	–	–	–	166
Provided for the year	2,184	2,760	627	10,625	–	35	16,231
Eliminated on disposals	–	(285)	(757)	(66)	–	–	(1,108)
At 31 December 2008 and 1 January 2009	15,076	23,478	6,140	62,481	–	189	107,364
Provided for the year	1,819	1,544	438	6,671	–	–	10,472
Impairment	(8,608)	(7,211)	–	(42,688)	–	–	(58,507)
Eliminated on disposal of a subsidiary	–	(31)	–	–	–	–	(31)
Eliminated on disposals	(118)	(2)	(1,046)	–	–	–	(1,166)
At 31 December 2009	8,169	17,778	5,532	26,464	–	189	58,132
CARRYING VALUES							
At 31 December 2009	63,024	10,082	3,173	71,077	10,111	–	157,467
At 31 December 2008	78,285	15,578	2,770	97,945	1,278	–	195,856

Details of the pledge of property, plant and equipment as at 31 December 2009 and 2008 are set out in note 36.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

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

Impairment losses recognised in the current year

During the year, the directors conducted a review of the Group's manufacturing assets and determined that a number of those assets were impaired, due to physical damage and technical obsolescence. Accordingly, impairment losses of HK$21,972,000 and HK$17,916,000 respectively have been recognised in respect of plant and machinery and other assets, which are used in the group Wah Yuen Food Segment.

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

	2009 **HK$'000**	2008 HK$'000
Motor vehicles	**847**	927
Plant and machinery	**10,820**	12,446
	11,667	13,373

16. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2009 **HK$'000**	2008 HK$'000
Unlisted shares, at cost	**74,772**	74,772
Amounts due from subsidiaries	**424,385**	243,098
Amounts due to subsidiaries	**(116,884)**	(3,660)
	382,273	314,210

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 balance sheet date. 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 2009 are set out in note 43.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

17. BIOLOGICAL ASSETS

	THE GROUP Seabuckthorn bushes 2009	2008 HK$'000
At 1 January	**27,844**	74,909
Gain arising from initial recognition of biological assets at fair value less estimated point-of-sales costs	**–**	10,308
Exchange adjustment	**–**	2,169
	27,844	87,386
Change in fair value less estimated point-of-sales costs of biological assets	**(23,284)**	(59,542)
At 31 December	**4,560**	27,844

Biological assets represent seabuckthorn bushes planted on land with Forest Tree Rights and situate in Inner Mongolia Autonomous Region, Shannxi Province and Shanxi Province. In accordance with the valuation report issued by CB Richard Ellis, an independent professional valuer, the fair value less estimated point-of-sale costs of the seabuckthorn bushes are determined with reference to the present value of the expected excess earning attributable to the biological assets.

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.

18. INTANGIBLE ASSETS

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

THE GROUP

	Trademark and patent HK$'000	Development costs HK$'000	Total HK$'000
COST			
At 1 January 2008	156	376	532
Exchange difference	7	17	24
Additions	33	425	458
At 31 December 2008 and 1 January 2009	196	818	1,014
Write-off during the year	(52)	–	(52)
At 31 December 2009	144	818	962

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

19. GOODWILL

Goodwill acquired through business combinations has been allocated to the Seabuckthorn Business cash-generating unit and property development unit which were reportable segments, for impairment testing.

The amount of goodwill capitalised as an assets in the consolidated statement of financial positions, arising from business combinations and the carrying value of goodwill was allocated to cash generating unites as follows:

	Seabuckthorn Business HK$'000	Property Development Business HK$'000	Total HK$'000
COST			
At 1 January 2008	171,613	–	171,613
Acquisition of a subsidiary	10,726	–	10,726
At 31 December 2008 and 1 January 2009	182,339	–	182,339
Acquisition of a subsidiary	–	174,605	174,605
Disposal of a subsidiary	(10,726)	–	(10,726)
At 31 December 2009	171,613	174,605	346,218
IMPAIRMENT			
At 1 January 2008	–	–	–
Impairment loss recognised	108,859	–	108,859
At 31 December 2008 and 1 January 2009	108,859	–	108,859
Disposal of a subsidiary	(7,150)	–	(7,150)
Impairment loss recognised	69,904	–	69,904
At 31 December 2009	171,613	–	171,613
CARRYING VALUES			
At 31 December 2009	–	174,605	174,605
At 31 December 2008	73,480	–	73,480

Impairment testing on Goodwill

At the ended of the reporting period, the Group assessed the recoverable amount of Goodwill as follows:

Seabuckthorn business

The seabuckthorn business over the year has been very subdued and recorded a continuous loss of HK$13 million. In response to these depressed results the Directors had conducted a review of the carrying value of assets and the segment result of seabuckthorn business was further impacted by impairment charges on goodwill of HK$69,904,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

19. GOODWILL *(Continued)*

Impairment testing on Goodwill *(Continued)*

Property development business

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 three-year period. The discount rate applied to the cash flow projections is 9.5%. Cash flow beyond the three-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 calculations relate to the estimation of cash receipts and outlays including budgeted sales and gross margin.

20. INVENTORIES

	THE GROUP	
	2009 **HK$'000**	2008 HK$'000
Raw materials	**9,294**	13,898
Work in progress	**2,923**	2,841
Finished goods	**20,831**	26,656
	33,048	43,395

None of the inventories of the Group carried at net realisable value at the balance sheet date for both years.

21. PROPERTIES UNDER DEVELOPMENT

	THE GROUP	
	2009 **HK$'000**	2008 HK$'000
Beginning of the year	**–**	–
Acquisition of a subsidiary (note 35)	**412,168**	–
End of the year	**412,168**	–

All properties under development are located in Mainland China and are located on land held under land use rights expiring from 2048 through 2078.

As at 31st December 2009, approximately HK$181,320,000 (2008: HK$Nil) of the Group's properties under development were pledged as collateral for the Group's banking facilities (note 36).

Properties under development are expected to be completed and available for sale within twelve months after 31 December 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

22. TRADE AND OTHER RECEIVABLES

The Group adopts a general policy of allowing average credit periods ranging from 90 days to 180 days to its trade customers. However, for certain customers with long-established relationship and good past repayment histories, a longer credit period of up to one year may be granted.

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Trade receivables	**128,215**	162,205
Less: Allowance for doubtful debts	**(102,301)**	(41,735)
Net trade receivables	**25,914**	120,470
Deposits, prepayments and other receivables	**96,609**	42,293
	122,523	162,763

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

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Within 90 days	**12,850**	34,577
91 to 180 days	**1,709**	41,305
Over 180 days but within 365 days	**11,355**	44,588
Trade receivables	**25,914**	120,470

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

The Group normally provides fully for all receivables overdue 365 days based on the estimations or past 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 recognized in the consolidated income statement accordingly. The balances of the allowance for doubtful debts are individually impaired trade receivables which had been overdue over 365 days or/and have no material transactions with the Group during the year. The Group does not hold any collateral over these balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

22. TRADE AND OTHER RECEIVABLES *(Continued)*

Movement in allowance for doubtful debts

	2009 HK$'000	2008 HK$'000
Balance at beginning of the year	**41,735**	–
Additions arising from acquisition of a subsidiary	**–**	197
Amounts written off as uncollectible	**(41,735)**	–
Increase in allowance recognised in consolidated income statement	**102,301**	41,538
Balance at end of the year	**102,301**	41,735

23. DERIVATIVE FINANCIAL INSTRUMENTS

	2009 HK$'000	2008 HK$'000
Financial assets		
Foreign currency forward contracts		
At 1 January	**50**	–
Realised loss on disposal	**(50)**	–
Fair value gains credited to consolidated income statement	**–**	50
At 31 December	**–**	50
Exchange rate swap		
At 1 January	**6,814**	–
Fair value gains credited to consolidated income statement	**(5,303)**	6,814
At 31 December	**1,511**	6,814
Total financial assets	**1,511**	6,864
Financial liabilities		
Foreign currency forward contracts		
At 1 January	**(1,831)**	–
Realised gain on disposal	**1,831**	–
Fair value losses charged to consolidated income statement	**–**	(1,831)
At 31 December	**-**	(1,831)

23. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

At 31 December 2009, the major terms of the exchange rate swap is as follows:

Exchange rate swap:

Notional amount	**Maturity**
USD 9,000,000	11 September 2010

The above derivatives were measured at fair value at balance sheet date. At 31 December 2009, the fair value of the derivative financial instrument is determined with reference to the subsequent selling price in January 2010. The net change arising on revaluation has been charged to consolidated income statement.

24. CASH AND BANK BALANCES

THE GROUP

	2009 HK$'000	2008 HK$'000
Cash and bank balances	**164,646**	21,189
Pledged bank deposits (note 36)	**13,973**	15,294
	178,619	36,483

Cash and bank balances carry interest at market rates which range from 0.01% to 2.43% (2008: 0.01% to 4%) per annum. The pledged fixed deposits carry interest rate 0.03% (2008: 1.1%) per annum.

25. TRADE AND OTHER PAYABLES

An ageing analysis of trade payables is as follows:

	2009 HK$'000	2008 HK$'000
Within 90 days	**6,966**	11,287
91 to 180 days	**723**	2,095
Over 180 days	**6,685**	5,859
Trade payables	**14,374**	19,241
Consideration payables for acquisition of a subsidiary (note 35)	**48,864**	–
Construction payables	**92,208**	–
Interest payables	**22,074**	6,312
Other payables	**27,023**	19,376
	204,543	44,929

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

26. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2009	2008	**2009**	2008
	HK$	HK$	**HK$**	HK$
Amounts payable under finance leases:				
Within one year	**621**	4,083	**618**	3,999
In the second to fifth year inclusive	**376**	999	**377**	996
	997	5,082	**995**	4,995
Less: Future finance charges	**(2)**	(87)	**N/A**	N/A
Present value of lease obligations	**995**	4,995	**995**	4,995
Less: Amount due for settlement within twelve months (shown under current liabilities)			**(618)**	(3,999)
Amount due for settlement after twelve months			**377**	996

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

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

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

27. AMOUNT DUE TO A SHAREHOLDER/AMOUNTS DUE TO MINORITY SHAREHOLDERS OF SUBSIDIARIES

The amount due to a shareholder/amounts due to minority shareholders of subsidiaries are unsecured, interest free and have no fixed terms of repayment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

28. BORROWINGS

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Trust receipts loans	**–**	27,599
Bank overdrafts	**5,202**	12,278
Bank loans	**365,328**	73,510
Other loans	**8,920**	3,239
	379,450	116,626
Analysis as:		
Secured	**365,328**	108,098
Unsecured	**14,122**	8,528
	379,450	116,626
The maturity profile of the above borrowings is as follows:		
On demand or within one year	**241,575**	98,781
More than one year, but not exceeding two years	**137,875**	17,845
	379,450	116,626
Less: amount due within one year shown under current liabilities	**(241,575)**	(98,781)
	137,875	17,845

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

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

Bank loans of the Company in the amount of HK$Nil (2008: HK$3,750,000) were guaranteed by two wholly-owned subsidiaries on a joint and several basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

29. CONVERTIBLE NOTES

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

On 28 November 2007, the Company issued 3% convertible notes with aggregate principal amounts of HK$122,000,000 ("2010 Notes") 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, due on 28 November 2010 are convertible at any time on or after 28 November 2007 until 10 business days prior to the maturity date by the noteholders into fully paid ordinary shares of HK$0.01 each of the Company. Subject to adjustments upon the occurrence of dilution events or other features stipulated in the placing agreement, the conversion price for the 2010 Notes will be HK$1.43 per share.

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

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

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

During the year ended 31 December 2009, the conversion price of 2010 Notes was adjusted from HK$0.4 to HK$0.121, effective from 27 October 2009 as a result of the open offer.

The completion of open offer also made a corresponding adjustment of conversion price of 2017 Notes from HK$0.15 to HK$0.045 in accordance with the terms set out in the placing agreement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

29. CONVERTIBLE NOTES *(Continued)*

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

	THE GROUP AND THE COMPANY	
	2009	2008
	HK$'000	HK$'000
Liability component at beginning of year	**262,156**	244,834
Interest charge	**27,461**	26,384
Interest paid	**(8,519)**	(9,062)
Conversion of 2010 Notes	**(20,466)**	–
Conversion of 2017 Notes	**(24,451)**	–
Redemption of 2010 Notes	**(54,306)**	–
Carrying amount at the end of the year	**181,875**	262,156
Less: amount due within one year shown under current liabilities	**(73,900)**	–
	107,975	262,156

30. SHARE CAPITAL

THE GROUP AND THE COMPANY

	Number of ordinary shares	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2008, 31 December 2008 and 1 January 2009	4,000,000,000	40,000
Increase during the year (Note a)	16,000,000,000	160,000
At 31 December 2009	20,000,000,000	200,000
Issued and fully paid:		
At 1 January 2008, 31 December 2008 and 1 January 2009	691,937,500	6,919
Open offers (Note b)	6,122,999,995	61,230
Issue of shares on conversion of 2010 Notes (Note c)	100,144,628	1,002
Issue of shares on conversion of 2017 Notes (Note d)	511,111,110	5,111
Issue of shares on placing (Note e)	207,580,000	2,076
Issue of shares on acquisition of a subsidiary (Note f)	846,228,234	8,462
At 31 December 2009	8,480,001,467	84,800

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

30. SHARE CAPITAL *(Continued)*

Notes:

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

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

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

(d) During the year, details of conversion of certain 2017 Notes are set out below:

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

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

(f) On 23 December 2009, 846,228,234 shares were issued at HK$0.141 per share as partial consideration in exchange for the entire equity interest of a subsidiary (note 35).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

31. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

31. 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 2009:

Category	Date of grant	Exercise price HK$ (Note)	Exercise period	As at 1 January 2009	Adjustment due to change in exercise price	As at 31 December 2009
Employees	18.07.2007	0.1378	18.07.2007 to 17.07.2010	6,500,000	53,613,268	60,113,268
	26.11.2007	0.1208	26.11.2007 to 25.11.2010	6,000,000	54,113,267	60,113,267
	14.12.2007	0.1118	14.12.2007 to 13.12.2010	2,000,000	18,037,756	20,037,756
	25.03.2008	0.0529	25.03.2008 to 24.03.2011	12,000,000	42,101,941	54,101,941
Consultants	18.07.2007	0.1378	18.07.2007 to 17.07.2010	5,000,000	45,094,390	50,094,390
Total				31,500,000	212,960,622	244,460,622

Note: Adjusted for open offer.

The following table discloses details of the Company's options under the Scheme held by employees and consultant and the movement during the year ended 31 December 2008:

Category	Date of grant	Exercise price HK$	Exercise period	As at 1 January 2008	Granted during the year	Lapsed during the year	Exercised during the year	As at 31 December 2008
Employees	18.07.2007	1.32	18.07.2007 to 18.07.2010	6,500,000	–	–	–	6,500,000
	26.11.2007	1.21	26.11.2007 to 26.11.2010	6,000,000	–	–	–	6,000,000
	14.12.2007	1.12	14.12.2007 to 14.12.2010	2,000,000	–	–	–	2,000,000
	25.03.2008	0.53	25.03.2008 to 24.03.2011	–	12,000,000	–	–	12,000,000
Consultants	18.07.2007	1.32	18.07.2007 to 18.07.2010	5,000,000	–	–	–	5,000,000
Total				19,500,000	12,000,000	–	–	31,500,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

31. SHARE OPTION SCHEME *(Continued)*

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

Total consideration received during the year from directors and employees for taking up the options granted amounted to HK$ Nil (2008: HK$19).

The fair value of the total options granted in the year measured as at the 25 Mar 2008 was HK$2,675,416. The following significant assumptions were used to derive the fair value using the Black – Scholes – Merton Formula:

1. an expected volatility was 472.09%;

2. expected no annual dividend yield;

3. the estimated expected life of the options granted in range (3 years); and

4. the risk free rate was 1.225%.

The Black-Scholes – Merton Formula 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

32. RESERVES

	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
As at 1 January 2008	85,883	71,463	58,645	3,890	(15,406)	204,475
Share-based option expenses	–	–	–	4,930	–	4,930
Loss for the year	–	–	–	–	(177,578)	(177,578)
As at 31 December 2008 and 1 January 2009	85,883	71,463	58,645	8,820	(192,984)	31,827
Issue of shares on open offers	255,299	–	–	–	–	255,299
Issue of shares on conversion of convertible notes	49,599	–	(10,795)	–	–	38,804
Issue of shares on top-up placing	27,400	–	–	–	–	27,400
Issue of shares on acquisition of a subsidiary	110,856	–	–	–	–	110,856
Shares issue expenses	(6,013)	–	–	–	–	(6,013)
Release from redemption of convertible note	–	–	(909)	–	909	–
Share-based option expenses	–	–	–	1,859	–	1,859
Loss for the year	–	–	–	–	(355,836)	(355,836)
As at 31 December 2009	523,024	71,463	46,941	10,679	(547,911)	104,196

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 share premium, contributed surplus and accumulated losses which in aggregate amounted to approximately HK$104 million as at 31 December 2009 (2008: HK$32 million). Under the Companies Law (Revised) of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the payment of distributions or dividends, the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's Articles of Association, dividends shall be payable out of the profits or other reserves, including the share premium account, of the Company.

33. DEFERRED TAX ASSETS

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

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2008	444	(65)	379
Charged to the consolidated income statement for the year (note 10)	246	(1,285)	(1,039)
As at 31 December 2008 and 1 January 2009	690	(1,350)	(660)
Charged to the consolidated income statement for the year (note 10)	(568)	(2,690)	(3,258)
As at 31 December 2009	122	(4,040)	(3,918)

As at 31 December 2009, the Group had unused tax losses of HK$24,482,000 (2008: HK$29,824,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$3,918,000 (2008: asset of HK$660,000) of such losses. No deferred tax has been recognised in respect of the remaining HK$24,482,000 (2008: HK$29,824,000) due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

34. RETIREMENT BENEFITS SCHEME

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

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

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

34. RETIREMENT BENEFITS SCHEME *(Continued)*

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

As at the balance sheet date, there was no significant amount of forfeited contributions available to reduce future contributions.

35. ACQUISITION OF SUBSIDIARIES

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

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

		Fair value HK$'000	Acquiree's carrying amount before combination HK$'000
Net assets acquired:			
Property, plant and equipment		355	355
Properties under development		412,168	412,168
Other receivables		60,507	60,507
Bank balances and cash		4,612	4,612
Trade and other payables		(106,793)	(106,793)
Bank borrowings		(318,181)	(318,181)
Goodwill		174,605	
		227,273	
Total consideration satisfied by:			
Cash consideration	– Paid	59,091	
	– Outstanding	9,091	
Issue of consideration shares (note 30)		119,318	
Deferred consideration (Note)		39,773	
Total consideration		227,273	
Net cash outflow arising from acquisition:			
Cash consideration paid		(59,091)	
Bank balances and cash acquired		4,612	
Net cash outflow of cash and cash equivalents in respect of the acquisition		(54,479)	

Wealth Full did not contribute to the Group's loss for the year as the completion of acquisition occurred on 18 December 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

35. ACQUISITION OF SUBSIDIARIES *(Continued)*

Wealth Full and its subsidiary did not have any profit and loss for the year ended 31 December 2009.

Note:

The deferred consideration of RMB35,000,000 (equivalent to approximately HK$39,773,000) will be satisfied either by way of cash or by allotment and issue of the Company's new shares five months after completion, pursuant to the sales and purchase agreement. Such deferred consideration has been accrued as other payables in the consolidated statement of financial position.

In March 2008, the Group completed the acquisition of the entire issued share capital of 上海華源藍科生物製品營銷有限公司 (Shanghai Worldbest Lanke Biological Product Sales Company Limited) ("Lanke Biological") for a cash consideration of RMB5,210,000 (equivalent to approximately HK$5,519,000). Lanke Biological is principally engaged in the sale of omega fatty acids related food, health and cosmetic products in the PRC.

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

	Fair value HK$'000	Acquiree's carrying amount before combination HK$'000
Net assets acquired:		
Property, plant and equipment	226	226
Inventories	994	994
Trade and other receivables	6,096	6,096
Bank balances and cash	308	308
Trade and other payables	(12,831)	(12,831)
	(5,207)	
Goodwill	10,726	
Total consideration	5,519	
Net cash outflow arising from acquisition:		
Cash consideration paid	(5,519)	
Bank balance and cash acquired	308	
Net cash outflow of cash and cash equivalents in respect of the acquisition	(5,211)	

The Group has disposed its entire interest in Lanke Biological during the year ended 31 December 2009 for the restructuring of the seabuckthorn business segment (note 40).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

36. PLEDGE OF ASSETS

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

	2009 HK$'000	2008 HK$'000
Land and buildings together with relevant land use rights situated in the PRC	181,320	48,752
Land and buildings situated in Hong Kong	449	489
Plant and machinery	4,906	5,462
Trade receivables	–	3,274
Bank deposits	13,973	15,294
	200,648	73,271

The Company did not have any assets pledged as at the balance sheet date.

37. OPERATING LEASES COMMITMENTS

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

	THE GROUP		THE COMPANY	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Within one year	2,958	1,385	–	475
In the second to fifth years inclusive	2,981	1,010	–	–
More than five years	4,773	5,000	–	–
	10,712	7,395	–	475

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

38. CAPITAL COMMITMENTS

As at 31 December 2009, the Group had capital commitments in respect of its share of capital contribution in two joint ventures engaged in the business of property development in China and the properties development expenses, contracted but not provided in the consolidated financial statements, amounting to HK$82.8 million (2008: nil) and HK$125.9 million (2008: nil), respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

39. CONTINGENT LIABILITIES

Contingent liabilities at 31 December are analysed as follows:

	THE GROUP		THE COMPANY	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Guarantees given in respect of borrowings and other banking facilities for subsidiaries	**–**	–	**100,325**	55,580

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

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

40. DISPOSAL OF A SUBSIDIARY

During the year, the Group disposed of its entire interests in Lanke Biological, a subsidiary of the Group.

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

Net liabilities disposed of

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

The consideration will be settled in cash by the purchaser in 2010 and has been included as other receivables in the consolidated statement of financial position at 31 December 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

41. EVENTS AFTER THE END OF REPORTING PERIOD

(a) On 31 March 2010, China Water Affairs Group ("CWAG"), the Company's substantial shareholder, the Company and the placing agent entered into the Top-up Placing and Subscription Agreement pursuant to which CWAG agreed to place up to 1,386,000,000 existing shares (the "Placing Shares") to placees at a price of HK$0.146 per placing share (the "Placing") and CWAG had conditionally agreed to subscribe for such number of subscription shares, equal to the number of Placing Shares, at a price of HK$0.146 per subscription share (the "Subscription"). The net proceeds from the Subscription amounted to approximately HK$196.5 million. Details are included in the Company's announcement to shareholders dated 1 April 2010. The completion of the Placing and the Subscription took place on 9 April 2010 and 12 April 2010 respectively, as detailed in the Company's announcement to shareholders dated 12 April 2010.

(b) On 1 April 2010, China Water Real Property Limited, a wholly owned subsidiary of the Company, entered into an agreement to acquire 60% of the entire issued share capital of Hangzhou Pu Tian Property Development Co., Ltd., a PRC company principally engaged in property development business in Zhejiang Province at an aggregate consideration of approximately HK$170.5 million (equivalent to RMB150 million). The total consideration shall be settled by way of cash of HK$85.2 million (equivalent to RMB75 million) and issuing 583,748,444 new shares at an issue price of HK$0.146. Further details of this transaction were set out in the Company's announcement dated 8 April 2010.

(c) On 15 April 2010, the Directors proposed the increase in authorised share capital from HK$200 million (divided into 20,000,000,000 ordinary shares) to HK$500 million (divided into 50,000,000,000 shares) by creating an additional 30,000,000,000 unissued ordinary shares of the Company which, when issued, will rank pari passu with all existing ordinary shares of the Company. Such increase in authorised share capital is conditional upon the passing of an ordinary resolution by the shareholders of the Company at an extraordinary general meeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

42. CONNECTED AND RELATED PARTY TRANSACTIONS

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

	Notes	**2009 HK$'000**	2008 HK$'000
Rentals paid to:			
– Lucky Fair Investment Limited	(ii) & (iii)	**180**	180
– Tai Tung Supermarket Limited	(ii) & (iii)	**288**	288
– Mr. But Ching Pui	(i) & (iii)	**72**	72
– Mr. But Ka Wai and his family members	(iii)	**300**	300
– Mr. But Ching Pui and Ms. Leung Wai Ling	(i) & (iii)	**156**	156

Compensation to key management personnel:

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

Notes:

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

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

(iii) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2009 are as follows:

Name of company	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Percentage of issued capital/ registered capital held by the Company	Principal activities
Directly hold:				
Wah Yuen Foods International Limited 華園食品國際有限公司	British Virgin Islands/ Hong Kong	Ordinary shares USD1,000	100%	Investment holding
China Water Property Investment Limited 中國水務地產投資有限公司	British Virgin Islands/ Hong Kong	Ordinary shares USD1	100%	Investment holding
Top Rainbow Investments Limited	British Virgin Islands/ Hong Kong	Ordinary shares USD1	100%	Investment holding
Top Harbour Development Limited	British Virgin Islands/ Hong Kong	Ordinary shares USD1	100%	Investment holding
Indirectly hold:				
Honfine Company Limited 朗耀有限公司	Hong Kong	Ordinary shares HK$10 Non-voting deferred shares HK$2 Note (iii)	100%	Distribution and marketing of snack foods products
Wah Yuen Foods (Hong Kong) Company Limited 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 (iii)	100%	Manufacturing, distribution and marketing of snack food products and convenience frozen food products
Wah Yuen Foods Company Limited 華園食品廠有限公司	Hong Kong	Ordinary shares HK$20	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%	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%	Manufacturing, distribution and marketing of snack food products

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Percentage of issued capital/ registered capital held by the Company	Principal activities
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%	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%	Trading
華園食品(上海)有限公司	PRC	Registered and contributed capital RMB5,000,000	51%	Distribution and marketing of snack food products
China Environmental Water Holdings Limited 中國水環境控股有限公司	Hong Kong	Ordinary share HK$1	100%	Investment holdings
Wah Yuen Health Products Company Limited 華園健康產品有限公司	Hong Kong	Ordinary share HK$1	100%	Investment holdings
Conseco Seabuckthorn Co., Limited 高原聖果沙棘制品有限公司	PRC	Registered and contributed capital RMB30,500,000	50%	Cultivation and sale of seabuckthorn seedlings, and manufacturing and sale of seabuckthorn related products
Erdos Plateau Seabuckthorn Ecological Construction and Development Limited 鄂爾多斯市高原聖果生態建設開發有限責任公司	PRC	Registered and contributed capital RMB20,000,000	50%	Cultivation and sale of seabuckthorn seedlings, and manufacturing and sale of seabuckthorn related products
准格爾旗高原聖果沙棘有限公司	PRC	Registered and contributed capital RMB500,000	45%	Cultivation and sale of seabuckthorn seedlings
達拉特旗高原聖果沙棘有限公司	PRC	Registered and contributed capital RMB500,000	45%	Cultivation and sale of seabuckthorn seedlings
陝西果聖水土保持建設有限公司	PRC	Registered and contributed capital RMB5,000,000	45%	Cultivation and sale of seabuckthorn seedlings

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Percentage of issued capital/ registered capital held by the Company	Principal activities
高原聖果(北京)沙棘營銷有限公司	PRC	Registered and contributed capital RMB5,000,000	50%	Sales of seabuckthorn related products
甘肅高原聖果沙棘開發有限公司	PRC	Registered and contributed capital RMB5,000,000	30%	Cultivation and sale of seabuckthorn seedlings
鄂爾多斯市高原植物資源開發有限責任公司	PRC	Registered and contributed capital RMB1,000,000	47%	Cultivation and sale of seabuckthorn seedlings
鄂爾多斯准格爾旗高原植物資源開發有限公司	PRC	Registered and contributed capital RMB1,000,000	47%	Cultivation and sale of seabuckthorn seedlings
榆林市高原植物資源開發有限公司	PRC	Registered and contributed capital RMB1,000,000	43%	Cultivation and sale of seabuckthorn seedlings
鄂爾多斯市達拉特旗高原植物資源開發有限責任公司	PRC	Registered and contributed capital RMB1,000,000	47%	Cultivation and sale of seabuckthorn seedlings
深圳高原聖果生物技有限公司	PRC	Registered and contributed capital RMB54,576,142	100%	Technical development of seabuckthorn products; remediation system development of water ecosystem protection; wholesale of commodity and packed food
Cedar Base International Limited 易達興業國際有限公司	Hong Kong	Ordinary shares HK$10	100%	Technical development of seabuckthorn products
Mega Famous Investment Limited 百榮投資有限公司	Hong Kong	Ordinary shares HK$10,000	100%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Percentage of issued capital/ registered capital held by the Company	Principal activities
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%	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%	Investment holding
Wealth Full Global Investments Limited 永豐環球投資有限公司	British Virgin Islands/ Hong Kong	Ordinary shares USD1	100%	Investment holding and property development
上海聖恒投資有限公司	PRC	Registered and contributed capital RMB15,000,000	51%	Investment holding and property development
榮成海御天城置業有限公司	PRC	Registered and contributed capital RMB20,000,000	100%	Investment holding and property development
湖北阜城房地產開發有限公司	PRC	Registered and contributed capital RMB50,000,000	100%	Property development
南昌華夏藝術谷文化產業發展有限公司	PRC	Registered and contributed capital RMB10,000,000	80%	Property development

(i) Wah Yuen (Guangzhou) Foods Company Limited, Rocco Foods Enterprises Company (Guangzhou) Limited, Guangzhou Lekker Pet Foods Company Limited, Wide Spread Foods Company Limited and 湖北阜城房地產開發有限公司 are wholly foreign-owned enterprises established in the PRC.

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

(iii) None of the subsidiaries had any debt securities outstanding as at 31 December 2009 or at any time during the year.

FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	**2009 HK$'000**
Turnover	207,551	202,130	281,054	239,632	**100,454**
(Loss) profit from operations	29,096	31,137	121,702	(290,323)	**(300,197)**
Finance costs	(11,021)	(12,242)	(16,234)	(37,300)	**(34,963)**
(Loss) profit before tax	18,075	18,895	105,468	(327,623)	**(335,160)**
Income tax (credit) expenses	(7,859)	(5,865)	(8,231)	1,342	**3,129**
(Loss) profit before minority interests	10,216	13,030	97,237	(326,281)	**(332,031)**
Minority interests	–	–	(45,345)	32,698	**15,737**
(Loss) profit for the year attributable to the equity holders of the Company	10,216	13,030	51,892	(293,583)	**(316,294)**

	Year ended 31 December				
	2005	2006	2007	2008	**2009**
(Loss) earning per share				(restated)	
(expressed in HK cents per share)					
– Basic	5.04 cents	3.52 cents	9.19 cents	(17.96) cents	**(7.73) cents**
– Diluted	N/A	N/A	2.92 cents	N/A	**N/A**

ASSETS AND LIABILITIES

	As at 31 December				
	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	**2009 HK$'000**
Total assets	365,314	407,779	886,519	553,448	**1,092,414**
Total liabilities	(215,775)	(213,236)	(473,299)	(451,491)	**(802,994)**
Minority interests	–	–	(72,747)	(39,039)	**(36,710)**
Equity attributable to equity owners of the Company	149,539	194,543	340,473	62,918	**252,710**

PROPERTY PARTICULARS

Property held by the Group at 31 December 2009 is set out below.

Property	Type	Lease term	Gross floor area (square metres)	Stage of completion	Interest attributable to the Group	Anticipated completion
Future City, Situated on No. 147, Luo Shi Road South, Honghsna District, Wuhan City, Hubei Province, the PRC	Residential/ Commercial	Medium	147,315	In progress	100%	2010 to 2011