THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Water Property Group Limited (the "**Company**"), you should at once hand this circular together with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities.

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

(Formerly known as China Botanic Development Holdings Limited)
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2349)

MAJOR TRANSACTION

A notice convening a extraordinary general meeting (the "**EGM**") of the Company to be held on Friday, 18 December 2009 at 10:00 a.m. at Room 1816, 18/F., Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong is set out on pages 151 to 152 of this circular. A form of proxy for the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for the holding of the EGM. Completion and return of the enclosed form of proxy will not preclude you from attending and voting in person at such meeting or any adjournment meeting should you so wish.

30 November 2009

CONTENTS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"Agreement"	the formal agreement for the Possible Acquisition dated 19 October 2009 entered into amongst the Purchaser, the Vendor and the Guarantor
"Board"	the board of Directors
"Business Day(s)"	a day (other than a Saturday, Sunday and public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
"BVI Subsidiary"	Wealth Full Global Investments Limited, a company incorporated in the British Virgin Islands and is wholly and beneficially owned by the Vendor
"Company"	China Water Property Group Limited (formerly known as "China Botanic Development Holdings Limited"), a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Stock Exchange
"Completion"	completion of the Possible Acquisition in accordance with the terms and conditions of the Agreement
"Consideration Shares"	together the Consideration Shares (First Tranche) and the Consideration Shares (Second Tranche)
"Consideration Shares (First Tranche)"	the 846,228,234 new Shares to be allotted and issued by the Company at the Issue Price (First Tranche) to the Vendor (or its nominee) in accordance with the terms of the Agreement as part of the consideration for the Possible Acquisition
"Consideration Shares (Second Tranche)"	up to approximately 397,727,270 new Shares to be allotted and issued by the Company at the Issue Price (Second Tranche) to the Vendor (or its nominee) in accordance with the terms of the Agreement as part of the consideration for the Possible Acquisition
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be held on Friday, 18 December 2009 at 10:00 a.m. to consider and, if thought fit, approve, among other matters, the Agreement and the transactions contemplated thereunder

"Enlarged Group"	the Group as enlarged by the Possible Acquisition of the BVI Subsidiary
"Group"	the Company and its subsidiaries
"Guarantor"	Mr. Liu Kai, the guarantor guaranteeing for the performance of the Vendor under the terms of the Formal Agreement and the owner of the entire equity interests of the Vendor
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons of the Company in accordance with the Listing Rules
"Issue Price (First Tranche)"	HK$0.141 per Consideration Share (First Tranche)
"Issue Price (Second Tranche)"	the higher of either (i) average closing price for the last ten consecutive trading days prior to the Second Tranche Date (including the Second Tranche Date) or (ii) HK$0.10 per Consideration Share (Second Tranche)
"Latest Practicable Date"	27 November 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Possible Acquisition"	the proposed acquisition of the Sale Share and the Sale Loan and the transactions contemplated thereunder
"PRC"	the People's Republic of China, which for the purpose of this circular, shall exclude Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
"Property"	the property in the course of development by the Target Company in the Wuhan City, Hubei, the PRC under the land use right certificate numbers 武國用2008第893號 (Wu Guo Yong 2008-893#) and 武國用2008第344號 (Wu Guo Yong 2008-344#) respectively

"Purchaser"	Mega Famous Investment Limited, being a wholly owned subsidiary of the Company
"Reorganisation"	the reorganisation to be conducted by the Target Company, details of which has been set out herein
"Sale Loan"	all obligation, indebtedness and liabilities due, owing or incurred by the BVI Subsidiary to the Vendor as at Completion, whether actual, contingent or deferred and irrespective whether or not the same is due and payable on Completion
"Sale Share"	the one (1) share of US$1.00 in the issued share capital of the BVI Subsidiary, representing the entire issued share capital of the BVI Subsidiary
"SFO"	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"Shareholders"	holders of the Shares
"Shares"	ordinary shares of HK$0.01 each in the capital of the Company
"sq m"	square metre(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	湖北阜城房地產開發有限公司 (Hubei Fucheng Property Development Limited#) a company established in the PRC and the owner of the Property
"Target Group"	together the BVI Subsidiaries and its subsidiaries
"Vendor"	Highest Growth Holdings Limited, a company incorporated in the British Virgin Islands and is owned as to 100% by the Guarantor
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent.

 # The English translation of Chinese names or words in this circular, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.

Amounts denominated in RMB in this circular has been converted into HK$ at the rate of HK$1 = RMB0.88 for illustration purposes.

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

(Formerly known as China Botanic Development Holdings Limited)
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2349)

Executive Directors:
Mr. But Ka Wai
Ms. Wang Wen Xia
Mr. But Chai Tong
Mr. Sun Zhen Yu
Mr. Ren Qian

Non-executive Director:
Mr. Zhou Kun

Independent non-executive Directors:
Mr. Chen Ziqiang
Mr. Tam Pei Qiang
Ms. Li Ling

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong:
Room 1816-17, 18/F
Sun Hung Kai Centre
30 Harbour Road
Wanchai, Hong Kong

30 November 2009

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

INTRODUCTION

Reference is made to the announcement of the Company dated 29 October 2009 in which the Board announced that on 19 October 2009, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor and the Guarantor pursuant to which the Vendor will sell and the Purchaser will acquire the Sale Share and the Sale Loan, representing the entire equity interests of the BVI Subsidiary.

The purpose of this circular is to provide further details of the Possible Acquisition and general information of the Group.

THE AGREEMENT

Date: 19 October 2009

Parties:

The Purchaser as the purchaser of the Sale Share and the Sale Loan.

The Vendor as the vendor for the Sale Share and the Sale Loan and is wholly owned by the Guarantor.

The Guarantor as the guarantor for guaranteeing the performance of the Vendor under the terms of the Agreement.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Vendor and the Guarantor is an Independent Third Party and as at the Latest Practicable Date, each of the Vendor and the Guarantor and their respective associates do not hold any Shares or other securities in the Company.

The Purchaser, being a wholly owned subsidiary of the Company, is an investment holding company incorporated in Hong Kong.

The Vendor is a company incorporated in the British Virgin Islands on 29 September 2009 and is principally engaged in investment holdings. As at the Latest Practicable Date, the Vendor does not hold any significant assets or investments other than its interests in the BVI Subsidiary. The Guarantor is a merchant and the ultimate beneficial owner of the Vendor.

The Vendor intends to hold the Consideration Shares for investment purpose and has no intention to nominate or appoint directors to the Board of Company. The Agreement does not confer any rights to the Vendor to nominate or appoint directors to the Board of Company.

Assets to be acquired

Pursuant to the Agreement, it was agreed that (i) the Purchaser will acquire and the Vendor shall sell the Sale Share and the Sale Loan. The Sale Share and the Sale Loan represents the entire equity interests of the BVI Subsidiary and upon completion of the Reorganisation, the Target Company will become a wholly owned subsidiary of the BVI Subsidiary.

As at the Latest Practicable Date, there is no Sale Loan owed by the BVI Subsidiary to the Vendor although it is expected that the Sale Loan amount as a result of the Reorganisation will be approximately RMB50,000,000 upon Completion.

It was agreed after arm's length negotiations between the parties to the Agreement that the Possible Acquisition shall be conducted by way of purchase of the Sale Share and the Sale Loan subject to the Reorganisation.

After Completion, the Purchaser will be effectively interested in the entire registered capital of the Target Company.

Consideration

The total consideration for the Possible Acquisition is RMB200,000,000 (equivalent to approximately HK$227,272,727) and shall be settled by the Purchaser in the following manner (or such other manner as the parties thereto may agree):

(i) as to the initial deposit (the "**Initial Deposit**") of a total of RMB10,000,000 (equivalent to approximately HK$11,363,636) has been paid in cash by the Purchaser to the Vendor within five Business Days following signing of the Agreement;

(ii) as to RMB50,000,000 (equivalent to approximately HK$56,818,181) shall be payable by way of cash by the Purchaser to the Vendor at Completion;

(iii) as to RMB105,000,000 (equivalent to approximately HK$119,318,181) shall be payable by the Purchaser by procuring the Company to issue and allot the Consideration Shares (First Tranche) at the Issue Price (First Tranche) to the Vendor (or its nominee) at Completion; and

(iv) the remaining balance of RMB35,000,000 (equivalent to approximately HK$39,772,727) shall be payable at the discretion of the Purchaser either (i) by way of cash; or (ii) by procuring the Company to issue and allot the Consideration Shares (Second Tranche) at the Issue Price (Second Tranche) to the Vendor (or its nominee) on the date falling five months after the Completion (the "**Second Tranche Date**").

For the purpose of calculation of the consideration for the Possible Acquisition, the exchange rate shall be calculated on the basis that HK$1.00 for RMB0.88.

The Issue Price (Second Tranche) shall be determined as the higher of either (i) average closing price for the last ten consecutive trading days prior to the Second Tranche Date (including the Second Tranche Date) or (ii) HK$0.10 per Consideration Share.

The Purchaser will elect to settle the remaining balance of the consideration of RMB35,000,000 in either cash or Consideration Shares (Second Tranche) depending on the financial position of the Group as at the Second Tranche Date. If the Group has surplus cash exceeding its working capital needs as at that time, the Purchaser may elect to settle the same in cash. Otherwise, if the Group needs to preserve its cash reserves as a result of the property development projects of the Group, the Purchaser will elect to settle the same in Consideration Shares. It is not provided in the Agreement that the remaining balance of consideration will be settled partly in cash and Consideration Shares.

The consideration for the Sale Share and the Sale Loan was determined after arm's length negotiations between the Vendor and the Purchaser after considering various factors, including the preliminary valuation of the Property by an independent professional valuer, CB Richard Ellis. The preliminary valuation of the Property will amount to approximately RMB280,000,000. The funding for the cash consideration will be from the internal resources of the Group.

In the event that Completion does not take place as stipulated or the conditions precedent cannot be fulfilled, the Vendor shall refund the Initial Deposit to the Purchaser and neither party shall have any obligations and liabilities under the Agreement.

In the event that either party, without contractual or lawful cause, violates the Agreement, the defaulting party shall be required to pay the complying party 10% of total consideration as default penalty.

Conditions precedent

Completion is subject to the following conditions having been fulfilled or waived (as the case may be):

1. all necessary consents and approvals required to be obtained on the part of the Vendor and the Purchaser in respect of the Agreement and the transactions contemplated thereunder having been obtained;

2. no event, fact or situation that will cause the breaches or the possible breaches of warranties or terms of the Agreement by the Vendor;

3. the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Consideration Shares;

4. the passing by the Shareholders of ordinary resolution(s) approving the transactions contemplated under the Agreement, including but not limited to the allotment and issue of the Consideration Shares;

5. the obtaining of a PRC legal opinion (in form and substance satisfactory to the Purchaser) from a PRC legal adviser appointed by the Purchaser in relation to the legality and the validity in respect to the establishment and subsistence of the Target Company and the transactions contemplated under the Agreement;

6. the completion of the Reorganisation; and

7. the Purchaser being satisfied with the results of the due diligence to be conducted on the assets, liabilities, operations and affairs of the BVI Subsidiary and the Target Company.

None of the above conditions can be waived by the parties to the Agreement. If the conditions are not fulfilled on or before 31 December 2009 (or such later date as the parties to the Agreement may agree), the Agreement shall cease and terminate and thereafter neither party to the Agreement shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches thereof.

As at the Latest Practicable Date, none of the conditions stated above has been satisfied.

Completion

Completion shall take place on the date falling the second Business Day after all the conditions of the Agreement have been fulfilled or such later date as may be agreed between the parties thereto.

The Reorganisation

The Reorganisation shall involve the acquisition of the entire equity interests of the Target Company by the BVI Subsidiary such that the Target Company will become a wholly foreign-owned enterprise (WFOE) wholly and beneficially owned by the BVI Subsidiary.

The Target Company is currently owned by an Independent Third Party and the consideration for the acquisition of the Target Company by the BVI Subsidiary shall be subject to the terms of the Reorganisation and is expected to be RMB50,000,000, being the registered capital of the Target Company. Since the consideration payable by the BVI Subsidiary does not take into account of the actual value of the Target Company or the Property, the Directors are of the view that it is not an appropriate comparable to the consideration payable by the Purchaser under the Agreement. It is expected that the consideration payable by the Company to acquire the Target Company directly would be not less than the consideration for the Acquisition.

The Company does not directly acquire the Target Company from its current owner since it is necessary to carry out the Reorganisation by applying to the relevant authorities such that the Target Company will become a WFOE prior to Completion of the Acquisition. As part of conditions precedent in the Agreement, the Reorganisation will be carried out by the Vendor who will undertake the risks in obtaining all the approvals for the Reorganisation from the relevant regulatory bodies in the PRC. There are potential risks that such approvals may not be granted by the relevant regulatory authorities. As such, the Company considers that the current structure can reduce the costs and time of the Group.

Pursuant to the Agreement, the Reorganisation shall be conducted in such a manner as the Purchaser may approve.

THE CONSIDERATION SHARES

The 846,228,234 Consideration Shares (First Tranche) will be issued at an Issue Price (First Tranche) of HK$0.141 per Consideration Share, credited as fully paid. The Consideration Shares, when allotted and issued, shall rank pari passu in all respects with the Shares in issue on the date of allotment and issue of Consideration Shares including the right to all dividends, distributions and other payments made or to be made, on the record date which falls on or after the date of such allotment and issue.

The Issue Price (First Tranche) represents:

(a) a discount of approximately 4.08% to the closing price of HK$0.147 per Share as quoted on the Stock Exchange on 19 October 2009, being the last trading day immediately prior to the entering into of the Agreement;

(b) a premium of approximately 2.92% over the average of the closing prices of approximately HK$0.137 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 19 October 2009, being the last trading day immediately prior to the entering into of the Agreement; and

(c) being the average of the closing prices of approximately HK$0.141 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 19 October 2009, being the last trading day immediately prior to the entering into of the Agreement.

The Consideration Shares will be allotted and issued pursuant to the specific mandate to be sought at the EGM and will be allotted and issued on the date of Completion and the Second Tranche Date respectively for the Consideration Shares (First Tranche) and the Consideration Shares (Second Tranche) respectively.

The Consideration Shares (First Tranche) represent approximately 12.21% of the existing issued share capital of the Company and approximately 10.88% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (First Tranche).

Since the Consideration Shares (Second Tranche) will only be issued on the Second Tranche Date, which will be five months after Completion, in order to ascertain the maximum number of the Consideration Shares (Second Tranche), the Purchaser and the Vendor agreed to set a minimum price of HK$0.10 per Share as the Issue Price for the Consideration Shares (Second Tranche). As both the Purchaser and the Vendor concerns on the number of Consideration Shares (Second Tranche) to be issued and allotted on the Second Tranche Date, which can vary depending on the movement of future market price per Share rather than the current market price, the minimum Issue Price of HK$0.10 per Consideration Share (Second Tranche) is accordingly determined after arm's length negotiations between the parties to the Agreement as the identified equilibrium.

Since the Issue Price (Second Tranche) will be determined with reference to the market prices and there is a limitation on the minimum Issue Price (Second Tranche), the Directors is of the view that the Issue Price (Second Tranche) is fair and reasonable.

The Vendor undertakes to the Purchaser that it will not, within the period commencing on the date of Completion and ending on the date falling 6 months after Completion, transfer or otherwise dispose of or create any encumbrance or other rights in respect of 50% of the Consideration Shares issued or any interests therein or grant any options or rights in respect of 50% of the Consideration Shares issued without prior approval from the Purchaser. The Vendor undertakes to the Purchaser that it will not, within the period commencing on the date of Completion and ending on the date falling 9 months after Completion, transfer or otherwise dispose of or create any encumbrance or other rights in respect of the other 50% of the Consideration Shares issued or any interests therein or grant any options or rights in respect of the other 50% of the Consideration Shares issued without prior approval from the Purchaser.

Upon the allotment and issue of the Consideration Shares, there will not be any change in control of the Company.

The Issue Price was determined by the Board after taking into consideration of various factors including, the market price of the Shares. The Directors consider that the Issue Price is fair and reasonable.

Application for listing

Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares.

CHANGE IN SHAREHOLDINGS

The changes in the shareholding structure of the Company as a result of the allotment and issue of the Consideration Shares (on the assumption that the Consideration Shares (Second Tranche) will be allotted and issued at the minimum Issue Price of HK$0.10 per Share) are as follows:

Shareholders	Issued share capital as at the Latest Practicable Date		Issued share capital immediately after allotment and issue of the Consideration Shares (First Tranche) but before the allotment and issue of the Consideration Shares (Second Tranche)		Issued share capital immediately after allotment and issue of the Consideration Shares (First Tranche) and the Consideration Shares (Second Tranche)	
	No. of Shares	*Approximate Percentage*	*No. of Shares*	*Approximate Percentage*	*No. of Shares*	*Approximate Percentage*
China Water Affairs Group Limited and its associates	1,984,706,172	27.37%	1,984,706,172	24.51%	1,984,706,172	23.36%
Mr. But Ka Wai and his associates *(Note 1)*	50,000,000	0.69%	50,000,000	0.62%	50,000,000	0.59%
The Vendor	–	–	846,228,234	10.45%	1,243,955,504	14.65%
Prime Investments Holdings Limited *(Note 2)*	592,451,105	8.17%	592,451,105	7.32%	592,451,105	6.97%
Public Shareholders	4,623,971,328	63.77%	4,623,971,328	57.10%	4,623,971,328	54.43%
Total	7,251,128,605	100.00%	8,097,356,839	100%	8,495,084,109	100.00%

Notes:

1. Mr. But Ka Wai is the Chairman and an executive Director of the Company.

2. Ms. Wang Wen Xia, the Vice Chairman and an executive Director of the Company, is also an executive director of Prime Investments Holdings Limited, a listed company in Hong Kong.

INFORMATION OF THE TARGET COMPANY AND THE PROPERTY

The Vendor is a company incorporated in British Virgin Islands and is principally engaged in investment holdings.

The BVI Subsidiary is a company incorporated in the British Virgin Islands and is principally engaged in investment holdings.

The Target Company is a company established in the PRC with a registered capital of RMB50,000,000 and is principally engaged in the provision of property development, property sales and property consultancy business. Upon the completion of Reorganisation, the Target Company shall be held as to 100% by the BVI Subsidiary. After completion of the Possible Acquisition, the Purchaser shall be effectively interested in the entire registered capital of the Target Company. The Target Company and its ultimate beneficial owners are Independent Third Parties.

The Target Company is holding the entire interest of the Property which is situated at South Luoshi Road in Hongshan District of Wuchang in Wuhan, Hubei, the PRC. The Property is currently under construction and is to be developed into a mixed-use commercial development comprising retail shops, offices and residential apartments. It is expected that the Property will be completed in stages during the course of 2010 and 2011. The existing site area and the planned total gross floor area of the Property are approximately 22,312.64 sq m and 147,315.50 sq m respectively.

To the best of the Directors' knowledge, the Target Company has been granted the land use rights certificates and the required construction works commencement permits of the project for the Property. The Property is under constructions by attaining approximately 33% completion as a whole and is to be developed in stages during the course of 2010 and 2011. The Vendor also contemplates that there is no legal difficulty for the Target Company to obtain pre-sale permit.

As at the latest practicable date, the estimated development costs of completing the Property in the amount of approximately RMB266 million will be funded by internal resources of Target Company, customer deposits on presales as well as bank loan. As such, the Group will not be required to provide the Target Company for further investment in the Property development.

Set below is the financial information of the Target Company as prepared under the general accepted accounting principles in the PRC:

	For the year ended 31 December 2007	**For the year ended 31 December 2008**
	RMB'000	*RMB'000*
	(Audited)	(Unaudited)
Loss before taxation	990	1,380
Loss after taxation	990	1,380
Net asset value	19,008	17,628

FINANCIAL EFFECT OF THE POSSIBLE ACQUISITION

After completion of the Possible Acquisition, the Target Company will be treated as a subsidiary of the Group and its results will be consolidated in the consolidated financial statements of the Group.

Set out in appendix III to this circular is the unaudited pro forma financial information on the Enlarged Group which illustrates the financial effect of the Acquisition on (i) the results and cash flows of the Group assuming the Completion had taken place on 1 January 2008; and (ii) on the assets and liabilities of the Group assuming the Completion had taken place on 31 December 2008.

Based on the unaudited pro forma consolidated balance sheet in appendix III to this circular, the total assets of the Group would increase by approximately 89% from HK$553 million to HK$1,046 million; and its total liabilities would increase by approximately 74% from HK$451 million to HK$785 million, as a result of the Possible Acquisition. The Directors consider that the Possible Acquisition will contribute to the revenue and earnings base of the Enlarged Group but the quantification of such impact will depend on the future performance of the Target Group.

REASONS FOR THE POSSIBLE ACQUISITION

The Group is principally engaged in the production and distribution of snack food and convenience frozen food products and in cultivation of seabuckthorn seedlings, manufacture, sales, research and development of seabuckthorn-related health products.

As stated in its interim report for the period ended 30 June 2009, the Company will diversify business strategies to property investment and development in the PRC. The Directors have been continuing in exploring suitable business opportunities to broaden the revenue base and to diversify its business scope of the Company. The Directors consider the Possible Acquisition an opportunity to engage in property development business in the PRC which would enhance the Shareholders' value in the long run. The Company considers that the Possible Acquisition represents an excellent opportunity of tap into the PRC property market.

In light of the growing potential of the Target Company, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the Possible Acquisition are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

The Possible Acquisition constitutes a major transaction on the part of the Company under Chapter 14 of the Listing Rules and the Possible Acquisition is subject to the approval of the Shareholders at the EGM. To the best of the Directors' knowledge, information and belief having made reasonable enquiries, no Shareholders have a material interest in the Possible Acquisition and are required to abstain from voting at the EGM. The Company will seek Shareholders' approval for the Agreement and the transactions contemplated thereunder, including but not limited to the issue of the Consideration Shares at the EGM.

EGM

A notice convening the EGM to be held at Room 1816, 18/F., Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong on Friday, 18 December 2009 at 10:00 a.m. is set out on pages 151 to 152 of this circular.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholder; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby it has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend and vote at such meeting, you are requested to complete and return the enclosed form of proxy to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

RECOMMENDATION

The Board considers that the terms of the Possible Acquisition is fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolution as set out in the notice of the EGM.

GENERAL

Your attention is drawn to the general information set out in the appendices of this circular.

By order of the Board
China Water Property Group Limited
But Ka Wai
Chairman

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The financial information for the interim results of the Group for the six months ended 30 June 2009 have been extracted from the interim report of the Group for the six months ended 30 June 2009, the financial information for the annual results of the Group for the years ended 31 December 2006, 31 December 2007 and 31 December 2008 have been extracted from the respective published audited financial statements of the Group. The auditors have expressed an unqualified opinion on those financial statements in their report for the years ended 31 December 2006, 31 December 2007 and 31 December 2008, respectively.

(i) Result

	Year ended 31 December			For the six months ended 30 June
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Turnover	202,130	281,054	239,632	50,943
Cost of sales	(131,307)	(195,517)	(196,163)	(39,046)
Gross profit	70,823	85,537	43,469	11,897
Gain arising from initial recognition of biological assets at fair value less estimated point-of-sales costs	–	72,927	10,308	–
Other operating income and net gain	3,675	11,720	8,908	1,454
Selling and distribution expenses	(25,268)	(19,723)	(29,527)	(9,674)
Administrative expenses	(18,093)	(28,759)	(78,935)	(19,288)
Finance costs	(12,242)	(16,234)	(37,300)	(17,557)
Operating profit (loss) before impairment charges	18,895	105,468	(83,077)	(33,168)
Impairment on goodwill	–	–	(108,859)	–
Impairment on trade receivables	–	–	(41,538)	(19,571)
Write-off of inventories	–	–	(34,607)	–
Changes in fair values less estimated point-of-sales costs of biological assets	–	–	(59,542)	(23,284)
Profit before tax	18,895	105,468	(327,623)	(76,023)
Income tax expenses	(5,865)	(8,231)	1,342	38
Profit for the year	13,030	97,237	(326,281)	(75,985)
Attributable to:				
Equity holders of the Company	–	51,892	(293,583)	(64,018)
Minority interests	–	45,345	(32,698)	(11,967)
Profit for the year	–	97,237	(326,281)	(75,985)
Dividends	–	–	–	–
Earnings per share				
– Basic	3.52	9.19	(42.43)	(7.38)
– Diluted	N/A	2.92	N/A	N/A

(ii) Assets and liabilities

	As at 31 December 2006 HK$'000	2007 HK$'000	2008 HK$'000	As at 30 June 2009 HK$'000 (Unaudited)
Non-current assets				
Prepaid lease payments	2,140	3,147	3,079	3,088
Property, plant and equipment	111,607	174,508	195,856	198,730
Biological assets	–	74,909	27,844	4,560
Intangible assets	–	532	1,014	1,002
Deposits paid on acquisition of a subsidiary	–	6,000	–	–
Deposits paid on acquisition of property, plant and equipment	–	17,391	–	–
Goodwill	–	171,613	73,480	73,480
Deferred tax assets	–	–	660	660
	113,747	448,100	301,933	281,520
Current assets				
Inventories	57,720	64,794	43,395	50,803
Trade and other receivables	178,487	215,354	162,763	120,053
Tax recoverable	–	–	2,010	2,002
Derivative financial instruments	–	–	6,864	6,391
Pledged bank deposits	21,459	23,622	15,294	8,966
Bank balances and cash	36,366	134,649	21,189	21,219
	294,032	438,419	251,515	209,434
Current liabilities				
Trade and other payables	28,326	49,285	44,929	44,868
Obligations under finance leases	5,092	9,830	3,999	1,507
Tax payable	3,121	5,742	1,831	2,177
Derivative financial instruments	–	–	302	–
Amounts due to minority shareholders	–	5,493	5,652	24,700
Amount due to a shareholder	–	11,626	15,000	3,000
Borrowings	138,674	119,346	98,781	43,297
	175,213	201,322	170,494	119,549
Net current assets	118,819	237,097	81,021	89,885
Total assets less current liabilities	232,566	685,197	382,954	371,405
Non-current liabilities				
Obligations under finance leases	5,903	3,666	996	709
Borrowings	32,030	23,098	17,845	47,413
Convertible notes	–	244,834	262,156	263,876
Deferred tax liabilities	90	379	–	–
	38,023	271,977	280,997	311,998
NET ASSETS	194,543	413,220	101,957	59,407
Capital and reserves				
Share capital	5,350	6,919	6,919	11,046
Reserves	189,193	333,554	55,999	21,289
Equity attributable to equity holders of the Company	194,543	340,473	62,918	32,335
Minority interests	–	72,747	39,039	27,072
TOTAL EQUITY	194,543	413,220	101,957	59,407

2. CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

A. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The following is the audited financial statements of the Group together with accompanying notes as extracted from the annual report of the Company for the year ended 31 December 2008.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Notes	**2008** *HK$'000*	**2007** *HK$'000*
Turnover	*7*	239,632	281,054
Cost of sales		(196,163)	(195,517)
Gross profit		43,469	85,537
Gain arising from initial recognition of biological assets at fair value less estimated point-of-sales costs	*7*	10,308	72,927
Other operating income	*7*	8,908	11,720
Selling and distribution expenses		(29,527)	(19,723)
Administrative expenses		(78,935)	(28,759)
Finance costs	*8*	(37,300)	(16,234)
Operating (loss) profit before impairment charges		(83,077)	105,468
Impairment on goodwill		(108,859)	–
Impairment on trade receivables		(41,538)	–
Write-off of inventories		(34,607)	–
Changes in fair value less estimated point-of-sales costs of biological assets		(59,542)	–
(Loss) profit before tax		(327,623)	105,468
Income tax credit (expense)	*10*	1,342	(8,231)
(Loss) profit for the year	*11*	(326,281)	97,237
Attributable to:			
Equity holders of the Company		(293,583)	51,892
Minority interests		(32,698)	45,345
(Loss) profit for the year		(326,281)	97,237
Dividends	*12*	–	–
(Loss) earnings per share	*13*		
Basic		(42.43) Cents	9.19 Cents
Diluted		N/A	2.92 Cents

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Prepaid lease payments	14	3,079	3,147
Property, plant and equipment	15	195,856	174,508
Biological assets	17	27,844	74,909
Intangible assets	18	1,014	532
Deposit paid on acquisition of a subsidiary		–	6,000
Deposits paid on acquisition of property, plant and equipment		–	17,391
Goodwill	19	73,480	171,613
Deferred tax assets	32	660	–
		301,933	448,100
CURRENT ASSETS			
Inventories	20	43,395	64,794
Trade and other receivables	21	162,763	215,354
Tax recoverable		2,010	–
Derivative financial instruments	22	6,864	–
Pledged bank deposits	23	15,294	23,622
Bank balances and cash	23	21,189	134,649
		251,515	438,419
CURRENT LIABILITIES			
Trade and other payables	24	44,929	49,285
Obligations under finance leases	25	3,999	9,830
Derivative financial instruments	22	1,831	–
Tax payable		302	5,742
Amounts due to minority shareholders	26	5,652	5,493
Amounts due to a shareholder	26	15,000	11,626
Borrowings	27	98,781	119,346
		170,494	201,322
NET CURRENT ASSETS		81,021	237,097
TOTAL ASSETS LESS CURRENT LIABILITIES		382,954	685,197

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT LIABILITIES			
Obligations under finance leases	25	996	3,666
Borrowings	27	17,845	23,098
Convertible notes	28	262,156	244,834
Deferred tax liabilities	32	–	379
		280,997	271,977
NET ASSETS		101,957	413,220
CAPITAL AND RESERVES			
Share capital	29	6,919	6,919
Reserves		55,999	333,554
Equity attributable to equity holders of the Company		62,918	340,473
Minority interests		39,039	72,747
TOTAL EQUITY		101,957	413,220

BALANCE SHEET

At 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSET			
Interests in subsidiaries	16	314,210	479,229
CURRENT ASSET			
Deposits and prepayment		–	200
Bank balances		21	185
		21	385
CURRENT LIABILITIES			
Other creditors and accruals		7,579	1,386
Amounts due to a shareholder	26	2,000	2,000
		9,579	3,386
NET CURRENT LIABILITIES		(9,558)	(3,001)
TOTAL ASSETS LESS CURRENT LIABILITIES		304,652	476,228
NON-CURRENT LIABILITY			
Borrowings	27	3,750	20,000
Convertible notes	28	262,156	244,834
		265,906	264,834
NET ASSETS		38,746	211,394
CAPITAL AND RESERVES			
Share capital	29	6,919	6,919
Reserves	31	31,827	204,475
		38,746	211,394

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Share capital	Share premium	Convertible notes equity reserve	Share options reserve	Special reserve	PRC statutory reserve	Translations reserves	Accumulated profits (loss)	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2007	5,350	68,551	–	–	10,816	23,917	(2,933)	88,842	–	194,543
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	27,402	27,402
Issue of shares *(note 29)*	1,330	18,620	–	–	–	–	–	–	–	19,950
Issue of shares upon exercise of share options	239	4,698	–	(238)	–	–	–	–	–	4,699
Share issue expenses	–	(5,986)	–	–	–	–	–	–	–	(5,986)
Recognition of equity component of convertible notes	–	–	58,645	–	–	–	–	–	–	58,645
Share-based option expenses	–	–	–	4,128	–	–	–	–	–	4,128
Profit for the year	–	–	–	–	–	–	–	51,892	45,345	97,237
Transfer	–	–	–	–	–	1,648	–	(1,648)	–	–
Translation exchange differences	–	–	–	–	–	–	12,602	–	–	12,602
At 31 December 2007 and 1 January 2008	6,919	85,883	58,645	3,890	10,816	25,565	9,669	139,086	72,747	413,220
Reduction in minority interests on acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	(1,010)	(1,010)
Share-based option expenses	–	–	–	4,930	–	–	–	–	–	4,930
Loss for the year	–	–	–	–	–	–	–	(293,583)	(32,698)	(326,281)
Translation exchange differences	–	–	–	–	–	–	11,098	–	–	11,098
At 31 December 2008	6,919	85,883	58,645	8,820	10,816	25,565	20,767	(154,497)	39,039	101,957

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 CASH FLOW STATEMENT
For the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
OPERATING ACTIVITIES			
(Loss) profit before tax		(327,623)	105,468
Adjustments for:			
Interest expenses		37,300	16,234
Interest income		(1,312)	(1,451)
Depreciation		16,231	9,889
Amortisation of prepaid lease payments		196	176
Gain on disposal on property, plant and equipment		(35)	(139)
Share-based option expenses		4,930	4,128
Gain arising from initial recognition of biological assets at fair value less estimated point-of-sales costs		(10,308)	(72,927)
Changes in fair value less estimated point-of-sales costs of biological assets		59,542	–
Write off inventories		34,607	–
Impairment loss for goodwill		108,859	–
Impairment of trade receivables		41,538	–
Net change in fair value of derivative financial instruments		(5,033)	–
Operating cash flows before movements in working capital		(41,108)	61,378
(Increase) decrease in inventories		(12,214)	5,556
Decrease (increase) in trade and other receivables		17,149	(22,434)
Decrease in trade and other payables		(17,187)	(2,384)
Cash (used in) generated from operations		(53,360)	42,116
Interest paid		(19,978)	(14,805)
Hong Kong Profits Tax paid, net		(1,687)	(321)
PRC Enterprise Income Tax paid		(5,613)	(7,252)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES		(80,638)	19,738

	Notes	2008 HK$'000	2007 HK$'000
INVESTING ACTIVITIES			
Decrease (increase) in pledged bank deposits		19,622	(2,163)
Acquisition of additional interest in a subsidiary		(2,174)	–
Purchase of property, plant and equipment		(12,444)	(1,289)
Decrease (increase) in deposits paid for acquisition of a subsidiary	34	5,519	(6,000)
Deposits paid for acquisition of property, plant and equipment		–	(17,391)
Acquisition of subsidiaries, net of cash and cash equivalents acquired	34	(5,211)	10,335
Increase in intangible assets		(458)	(532)
Interest received		1,312	1,451
Proceeds from disposal of property, plant and equipment		492	159
NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES		6,658	(15,430)
FINANCING ACTIVITIES			
Borrowings raised		219,439	218,590
Repayment of bank borrowings		(246,255)	(246,298)
Exercise of share options		–	4,699
Capital element of finance leases		(8,501)	2,501
Advances from a shareholder		3,374	1,992
Advances from minority shareholders		159	155
Proceeds from issue of convertible notes		–	116,014
NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES		(31,784)	97,653
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(105,764)	101,961
Effect of foreign exchange rate change		2,600	624
CASH AND CASH EQUIVALENTS AT 1 JANUARY		123,369	20,784
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		20,205	123,369
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		21,189	134,649
Pledged bank deposits		11,294	–
Bank overdrafts		(12,278)	(11,280)
		20,205	123,369

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2008

1. GENERAL

The Group was incorporated and registered as an exempted company with limited liability in the Cayman Island under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Island on 9 October 2002.

The shares of the Company were 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 Company's subsidiaries are principally engaged in the production and distribution of snack food and convenience frozen food products. Details of the principal subsidiaries are set out in note 33.

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

In the current year, the Group has applied the following new standards, amendments and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are or have become effective for the financial year beginning on 1 January 2008.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

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[1]
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 39 (Amendments)	Eligible Hedged Items [2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[3]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[4]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[2]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[2]

Apart from the above, the HKICPA has also issued Improvements to HKFRSs* which sets out amendments to a number of HKFRSs. Except for the amendments to HKFRS 5, and HK(IFRIC)-Int 9, which are effective for annual periods beginning on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

1 Effective for accounting periods beginning on or after 1 January 2009
2 Effective for accounting periods beginning on or after 1 July 2009
3 Effective for accounting periods beginning on or after 1 July 2008
4 Effective for accounting periods beginning on or after 1 October 2008

* Improvements to HKFRSs contain amendments to HKFRS 1, HKFRS 4, HKFRS 5, HKFRS 6, HKFRS 7, HKFRS 8, HKAS 2, HKAS 7, HKAS 8, HKAS 10, HKAS 12, HKAS 14, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 21, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 33, HKAS 34, HKAS 36, HKAS 37, HKAS 38, HKAS 39, HKAS 40 and HKAS 41, HK(IFRIC)-Int 2.

The directors of the Company are currently assessing the impact of these new and amended HKFRSs upon initial application. So far, the directors of the Company anticipate that the application of these HKFRSs is unlikely to have a significant impact on the Group's results and financial position of the Group.

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.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All 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's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority 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.

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

Goodwill

Goodwill arising on an 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 an acquisition of a subsidiary is presented separately in the consolidated balance sheet.

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.

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.

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	20%
Motor vehicles	20%
Plant and machinery	10%
Loose tools and moulds	20%

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.

Prepaid lease payments

Prepaid lease payments represent up-front prepayments made for the land use rights as 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.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet 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 on 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.

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.

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

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.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL has two subcategories, including financial liabilities held for trading and those designated at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing 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 liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract continuing 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 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 loan notes

Convertible loan 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 loan notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible loan notes equity reserve).

In subsequent periods, the liability component of the convertible loan 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 loan notes equity reserve until the embedded option is exercised. Where the option remains unexercised at the expiry date, the balance stated in convertible loan 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 loan 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 loan 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.

Derivative financial instruments and hedging

Derivative 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.

Hedge accounting

The Group designates certain derivatives as either hedges of the fair value of fixed-rate bank borrowings (fair value hedges), hedges of highly probable forecast transactions for foreign currency exposure (cash flow hedges), or hedges of net investments in foreign operation.

At the inception of the hedge relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

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).

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 balance sheet 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.

Rentals 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.

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, which primarily comprise seabuckthorn plantations, 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 income statement for the period in which they arise.

The fair value of the plantations is estimated by reference to independent professional valuations using the discounted cash flows of the underlying biological assets. The expected cash flows fro 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 income statement 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.

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 income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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.

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 an 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 balance sheet.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other 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) Impairment on inventories

The management of the Group reviews an aging analysis at each balance sheet date, and identified 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.

(c) Allowance for bad and doubtful debts

The Group's provision policy for bad and doubtful debts is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

(d) Estimated impairment of goodwill

The management of the Group reviews annually to determine whether there is any impairment in the goodwill based on the recoverable amounts of cash-generating units have been determined based on value-in-use calculation.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Currency risk management

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

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

	Assets	Liabilities	Assets	Liabilities
	2008	2008	2007	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Renminbi ("RMB")	221,027	126,332	291,110	94,142

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) profit for the year is as follows:

	Impact of RMB	Impact of RMB
	2008	2007
	HK$'000	*HK$'000*
Increase/decrease in (loss) profit for the year	4,735	9,848

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 is based on contractual undiscounted payments are summarized below:

		2008		
	On demand	**Within 1 year**	**2-5 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 instruments	1,831	–	–	1,831
Amounts due to minority shareholders	5,652	–	–	5,652
Amounts 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

		2007		
	On demand	**Within 1 year**	**2-5 years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	49,285	–	–	49,285
Obligations under finance leases	–	9,830	3,666	13,496
Amounts due to minority shareholders	5,493	–	–	5,493
Amounts due to a shareholder	11,626	–	–	11,626
Tax payables	5,742	–	–	5,742
Borrowings	–	119,346	23,098	142,444
Convertible notes	120,608	–	124,226	244,834
	192,754	129,176	150,990	472,920

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 2008 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. 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 to recover overdue debts. In addition, management of the Group reviews regularly the recoverable amount of each individual trade debt to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management considers that the Group's credit risk is significantly reduced.

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

Interest rate risk management

The Group

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

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

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

Sensitivity analysis

The sensitivity analysis below, which include interest rate exposure on variable interest-bearing 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 2008 would increase/decrease by HK$809,000 (2007: HK$1,385,000).

The Company

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

If interest rates have been 100 basis points higher/lower and all other variables were held constant, the Company's loss for the year ended 31 December 2008 would increase/decrease by HK$37,000 (2007: HK$200,000).

Fair values

As at 31 December 2008, the carrying amount of cash and cash equivalents, prepayments, deposits and other receivables, accrued liabilities and other payables approximated their fair values due to the short-term maturities of these assets and liabilities. The Group considers that financial assets at fair value through profit or loss are included in the balance sheet at amounts approximating to their fair values.

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 2008, therefore, no price risk exposed to the Group at the year ended.

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 2008, the Group's strategy remained unchanged as compared to that of 2007. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total net borrowings divided by total assets.

The Management considers the gearing ratio at the year ended was as follows:

	2008	2007
	HK$'000	*HK$'000*
Borrowings, net of cash and bank balance	80,143	(15,827)
Convertible notes	262,156	244,834
Obligations under finance leases	4,995	13,496
Net debts	347,294	242,503
Total assets	553,448	886,519
Net debts to total assets ratio	0.63	0.27

The increase in the gearing ratio during 2008 resulted primarily from the decrease in the current and non-current assets.

On 20 March 2009, the open offer to the shareholders of the Company was completed. The net proceeds of the open offer, before deducting expenses for the open offer, were approximately HK$11.85 million. This resulted in an improvement in the gearing ratio of the Group.

6. SEGMENT INFORMATION

In accordance with the Group's internal financial reporting, the Group has determined that geographical segments are its primary reporting format.

(A) Business segments

During the year, the Group has redefined its classification of business segments so as to better align its segment information disclosure to its current operations. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

– Wah Yuen Foods Business Segment engages in production and distribution of snack food, convenience 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.

	Wah Yuen Foods Business		Seabuckthorn Business		Eliminations		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE								
External sales	200,913	257,816	38,719	23,238	–	–	239,632	281,054
Inter-segment sales	37,841	27,837	78	–	(37,919)	(27,837)	–	–
Total revenue	238,754	285,653	38,797	23,238	(37,919)	(27,837)	239,632	281,054
RESULT								
Segment operating results before impairment charges	(24,712)	31,123	(27,855)	15,058	–	–	(52,567)	46,181
Gain arising from initial recognition of biological assets at fair value less estimated point-of-sales costs	–	–	10,308	72,927	–	–	10,308	72,927
Impairment on goodwill	–	–	(108,859)	–	–	–	(108,859)	–
Impairment on trade receivables	(41,538)	–	–	–	–	–	(41,538)	–
Write-off of inventories	(34,607)	–	–	–	–	–	(34,607)	–
Changes in fair value less estimated point-of-sales costs of biological assets	–	–	(59,542)	–	–	–	(59,542)	–
Unallocated corporate income							8,908	7,132
Unallocated corporate expense							(12,426)	(4,538)
(Loss) profit from operations							(290,323)	121,702
Finance costs							(37,300)	(16,234)
(Loss) profit before tax							(327,623)	105,468
Income tax credit (expense)							1,342	(8,231)
(Loss) profit for the year							(326,281)	97,237

BALANCE SHEET

	Wah Yuen foods business		Seabuckthorn business		Consolidated	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS						
Segment assets	310,049	381,469	206,916	346,773	516,965	728,242
Unallocated corporate assets					36,483	158,277
Consolidated total assets					553,448	886,519
LIABILITIES						
Segment liabilities	20,827	36,359	31,568	35,786	52,395	72,145
Unallocated corporate liabilities					399,096	401,154
Consolidated total liabilities					451,491	473,299
OTHER INFORMATION						
Capital additions	27,615	696	2,220	593	29,835	1,289
Depreciation	11,823	9,339	4,412	550	16,235	9,889
Amortisation of prepaid lease payments	174	165	22	11	196	176

(B) Geographical segments

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	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
The PRC	83,936	129,647	(37,178)	41,341
Hong Kong	155,696	151,407	(15,389)	4,840
	239,632	281,054	(52,567)	46,181

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	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
The PRC	405,551	514,034	28,746	784
Hong Kong	111,414	214,208	1,089	505
	516,965	728,242	29,835	1,289

The segment assets are excluded the unallocated corporate assets.

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:

	2008	**2007**
	HK$'000	*HK$'000*
Sales of goods to outside customers	239,632	281,054
Gain arising from initial recognition of biological assets at fair value less estimated point-of-sales costs	10,308	72,927
Other operating income:		
Interest income from bank deposits	1,312	1,451
Net change in fair value of derivative financial instruments	5,033	–
Exchange gain	–	4,885
Sundry income	2,563	5,384
	8,908	11,720
Total income	258,848	365,701

8. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
Interest expense on bank loans, overdrafts and other borrowings wholly repayable within five years	10,450	13,064
Interest expense on obligations under finance leases	466	986
Effective interest expense on convertible loan notes	26,384	2,184
	37,300	16,234

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

For the year ended 31 December 2008

		Other emoluments		
Emoluments	**Fees**	**Salaries and other Benefits**	**Retirement benefit scheme contributions**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
EXECUTIVE DIRECTORS				
Mr. But Ching Pui	–	360	–	360
Mr. But Ka Wai	–	409	18	427
Mr. But Chai Tong	–	397	18	415
Ms. Gao Ji Hong	–	175	7	182
Mr. Ying Wei	–	1,105	12	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 Zi Qiang	15	–	–	15
Total for 2008	313	2,446	55	2,814

For the year ended 31 December 2007

		Other emoluments		
		Salaries	Retirement benefit	
		and other	scheme	
Emoluments	**Fees**	**Benefits**	**contributions**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
EXECUTIVE DIRECTORS				
Mr. But Ching Pui	–	360	–	360
Mr. But Ka Wai	–	360	18	378
Mr. But Chai Tong	–	360	18	378
NON-EXECUTIVE DIRECTORS				
Ms. Leung Wai Ling	50	–	–	50
Mr. Ngai Chun Kong, Stephen	50	–	–	50
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
Total for 2007	300	1,080	36	1,416

(b) Employees' emoluments

The five highest paid individuals for the year ended 31 December 2008 included one (2007: three) executive directors of the Company. The emoluments of the remaining four (2007: two) individuals are as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Salaries and other benefits	2,388	1,320
Retirement benefit schemes contributions	91	84
	2,479	1,404

The emoluments of each of the four (2007: two) 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) EXPENSE

	2008	2007
	HK$'000	*HK$'000*
The (credit) expense comprises:		
Current tax:		
Hong Kong Profits Tax		
Current year	–	1,098
(Over)under-provision in prior years	(522)	368
PRC Enterprise Income Tax		
Current year	219	6,476
Current tax charge for the year	(303)	7,942
Deferred tax (credit) expense for the year *(note 32)*	(1,039)	289
	(1,342)	8,231

Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit arising in Hong Kong for the year.

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

	2008	2007
	HK$'000	*HK$'000*
(Loss) profit before tax	(327,623)	105,468
Tax at PRC Enterprise Income Tax rate of 25% (2007: 27%)	(81,906)	28,476
Tax effect of expenses not deductible for tax purposes	88,520	8,842
Tax effect of income not taxable for tax purposes	(10,341)	(30,182)
Tax effect on temporary differences not recognised	(787)	317
(Over) under-provision in respect of prior year	(522)	368
Tax effect on tax losses not recognised	3,224	1,031
Utilisation of tax losses not previously recognised	–	(25)
Effect of different tax rates of subsidiaries operating in other jurisdictions	470	(596)
Tax (credit) charge for the year	(1,342)	8,231

11. (LOSS) PROFIT FOR THE YEAR

	2008	2007
	HK$'000	*HK$'000*
(Loss) profit for the year has been arrived at after charging (crediting):		
Staff costs, including directors' emoluments *(note 9)*	27,395	17,069
Retirement benefits scheme contributions, including contributions for directors	2,315	1,261
Total staff costs	29,710	18,330
Auditors' remuneration	821	650
Amortisation of land use rights and leasehold land	196	176
Depreciation		
– owned assets	13,996	7,827
– assets held under finance leases	2,235	2,062
Share-based option expense	4,930	4,128
Write-off of inventories	34,607	–
Impairment on trade receivables	41,538	–
Exchange loss	6,733	–
Impairment loss for goodwill	108,859	–
Changes in fair value less estimated point-of-sales costs of biological assets	59,542	–
Gain arising from initial recognition of biological assets at fair value less estimated point-of-sales costs	(10,308)	(72,927)
Gain on disposal of property, plant and equipment	(35)	(139)
Operating lease rentals paid in respect of rented premises	3,742	2,024

12. DIVIDENDS

The directors do not recommend the payment of a dividend for the years ended 31 December 2008 and 2007.

13. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share is based on the loss attributable to the equity holders of the Company of approximately HK$293,583,000 (2007: profit of HK$51,892,000) and on the weighted average ordinary share of 691,937,500 (2007: 564,506,592) deemed to be in issue during the year.

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

	The Group	
	2008	**2007**
	HK$'000	*HK$'000*
(Loss) earnings:		
(Loss) earnings for the purpose of basic (loss) earnings per share	(293,583)	51,892
Effect of dilutive potential ordinary shares:		
Interest on convertible notes	26,384	2,184
(Loss) earnings for the purpose of basic earnings per share	(267,199)	54,076
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	691,937,500	564,506,592
Effect of dilutive potential ordinary shares:		
convertible notes	1,285,648,018	1,285,648,018
Weighted average number of ordinary shares for the purposes of diluted (loss) earnings per share	1,977,585,518	1,850,154,610

No diluted loss per share for the year ended 31 December 2008 is presented as the dilutive potential ordinary shares in respect of outstanding share options are anti-dilutive.

14. PREPAID LEASE PAYMENTS

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

	2008	**2007**
	HK$'000	*HK$'000*
At cost		
At 1 January	4,640	3,353
Exchange difference	194	275
Acquisition of subsidiaries	–	1,012
At 31 December	4,834	4,640
Accumulated amortisation		
At 1 January	1,493	1,213
Exchange difference	66	104
Amortisation for the year	196	176
At 31 December	1,755	1,493
Net book values		
At 31 December	3,079	3,147

Note: The land use rights and leasehold land of the Group as at 31 December 2008 are held on medium term leases and situated in the PRC and Hong Kong respectively.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Furniture and equipment	Motor vehicles	Plant and machinery	Construction In progress	Loose tools and moulds	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST							
At 1 January 2007	53,884	25,794	6,854	98,162	1,393	189	186,276
Exchange difference	4,815	1,223	117	8,524	90	–	14,769
Acquisition of subsidiaries	30,458	1,837	1,732	27,625	44	–	61,696
Additions	–	480	–	262	547	–	1,289
Transfer in (out)	–	905	–	569	(1,474)	–	–
Disposals	–	–	(538)	–	–	–	(538)
At 31 December 2007 and 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	93,361	39,056	8,910	160,426	1,278	189	303,220
ACCUMULATED DEPRECIATION							
At 1 January 2007	9,986	18,310	6,330	39,893	–	150	74,669
Exchange difference	840	621	124	3,359	–	–	4,944
Provided for the year	1,546	1,606	173	6,560	–	4	9,889
Eliminated on disposals	–	–	(518)	–	–	–	(518)
At 31 December 2007 and 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	15,076	23,478	6,140	62,481	–	189	107,364
NET BOOK VALUES							
At 31 December 2008	78,285	15,578	2,770	97,945	1,278	–	195,856
At 31 December 2007	76,785	9,702	2,056	85,330	600	35	174,508

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

	2008	2007
	HK$'000	*HK$'000*
Motor vehicles	927	88
Plant and machinery	12,446	17,365
	13,373	17,453

16. INTERESTS IN SUBSIDIARIES

	The Company	
	2008	2007
	HK$'000	*HK$'000*
Unlisted shares, at cost	74,772	74,772
Amounts due from subsidiaries	243,098	404,457
Amounts due to subsidiaries	(3,660)	–
	314,210	479,229

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 2008 are set out in note 41.

17. BIOLOGICAL ASSETS

	The Group	
	Sea buckthorn bushes	
	2008	2007
	HK$'000	*HK$'000*
At 1 January	74,909	–
Gain arising from initial recognition of biological assets at fair value less estimated point-of-sales costs	10,308	72,927
Exchange adjustment	2,169	1,982
	87,386	74,909
Changes in fair value less estimated point-of-sales costs of biological asset	(59,542)	–
At 31 December	27,844	74,909

Biological assets represent seabuckthorn bushes planted on land with Forest Tree Rights and situate in Inner Mongolia Autonomous Region, Shannxi Province, Shanxi Province and Gansu Province. The Forest Tree Rights cover a total land area of 1,106,545 mu and involves 1,478 forest sectors. 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.

Its leaves, 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 sea buckthorn 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 flavour 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	**Development costs**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
COST			
At 1 January 2007	–	–	–
Additions	156	376	532
At 31 December 2007 and at 1 January 2008	156	376	532
Exchange difference	7	17	24
Additions	33	425	458
At 31 December 2008	196	818	1,014
CARRYING VALUES			
At 31 December 2008	196	818	1,014
At 31 December 2007	156	376	532

19. GOODWILL

The amount of goodwill capitalised as an assets in the consolidated balance sheets, arising from business combinations, is as follows:

	HK$'000
COST	
At 1 January 2007	–
Acquisition of subsidiaries	171,613
At 31 December 2007 and 1 January 2008	171,613
Acquisition of a subsidiary	10,726
At 31 December 2008	182,339
IMPAIRMENT	
At 1 January 2007, 31 December 2007 and 1 January 2008	–
Impairment loss recognised	108,859
At 31 December 2008	108,859
CARRYING VALUES	
At 31 December 2008	73,480
At 31 December 2007	171,613

Goodwill acquired through business combinations have been allocated to the Seabuckthorn Business cash-generating unit, which are reportable segment, for impairment testing.

The recoverable amount of Seabuckthorn Business cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to cash flow projections is 14% (2007: 13%) and cash flows beyond five-year period are extrapolated using a growth rate of 3% which are the same as the long-term average growth rate of the same industry.

20. INVENTORIES

	The Group	
	2008	**2007**
	HK$'000	*HK$'000*
Raw materials	13,898	20,659
Work in progress	2,841	2,383
Finished goods	26,656	41,752
	43,395	64,794

Inventories of the Group were carried at net realizable value of HK$ Nil (2007: HK$ Nil) at the balance sheet data.

21. 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 up to one year may be granted.

	The Group	
	2008	**2007**
	HK$'000	*HK$'000*
Trade receivables	162,205	169,186
Less: Provision for doubtful debt	(41,735)	–
Trade receivables	120,470	169,186
Deposits, prepayments and other receivables	42,293	46,168
	162,763	215,354

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

	The Group	
	2008	**2007**
	HK$'000	*HK$'000*
Within 90 days	34,577	78,174
91 to 180 days	41,305	30,606
Over 180 days	44,588	60,406
Trade receivables	120,470	169,186

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

Movement in allowance for trade receivable

	2008	**2007**
	HK$'000	*HK$'000*
Balance at beginning of the year	–	–
Additions arising from acquisition of a subsidiary	197	–
Increase in allowance recognised in consolidated income statement	41,538	–
Balance at end of the year	41,735	–

22. DERIVATIVES FINANCIAL INSTRUMENTS

	2008	2007
	HK$'000	*HK$'000*
Financial assets		
Foreign currency forward contracts		
At 1 January	–	–
Fair value gains credited to profit or loss	50	–
At 31 December	50	–
Exchange rate swap		
At 1 January	–	–
Fair value gains credited to profit or loss	6,814	–
At 31 December	6,814	–
Total financial assets	6,864	–
Financial liabilities		
Foreign currency forward contracts		
At 1 January	–	–
Fair value losses charged to profit or loss	(1,831)	–
At 31 December	(1,831)	–

At 31 December 2008, the major terms of the listed equity and foreign currency forward contracts are as follows:

Foreign currency forward contracts:

Notional amount	Maturity	Exchange rate
USD5,000,000	13 May 2009	USD 1: CNY 6.6550
USD290,000	23 March 2009	USD 1: HKD 7.7450

Exchange rate swap:

Notional amount	Maturity
USD9,000,000	11 September 2010

The above derivatives were measured at fair value at balance sheet date. In accordance with the valuation report issued by Norton Appraisals, an independent professional valuer, the fair value for the derivatives financial instruments were re-valued using the discounted cash flow method and risk neutral measure assumption. The net change arising on revaluation has been credited to consolidated income statement.

23. CASH AND BANK BALANCES

	The Group	
	2008	**2007**
	HK$'000	*HK$'000*
Cash and bank balances	21,189	134,649
Pledged bank deposits	15,294	23,622
	36,483	158,271

Cash and bank balances carry interest at market rates which range from 0.01% to 4% (2007: 3.5% to 4%) per annum. The pledged fixed deposits carry interest rate 1.1% (2007: 1.1%) per annum.

24. TRADE AND OTHER PAYABLES

An ageing analysis of trade payables is as follows:

	The Group	
	2008	**2007**
	HK$'000	*HK$'000*
Within 90 days	11,287	11,325
91 to 180 days	2,095	1,809
Over 180 days	5,859	7,731
Trade payables	19,241	20,865
Other payables	25,688	28,420
	44,929	49,285

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

25. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2008	**2007**	**2008**	**2007**
	HK$	*HK$*	*HK$*	*HK$*
Amounts payable under finance leases:				
Within one year	4,083	10,380	3,999	9,830
In the second to fifth year inclusive	999	3,804	996	3,666
	5,082	14,184	4,995	13,496
Less: Future finance charges	(87)	(688)	N/A	N/A
Present value of lease obligations	4,995	13,496	4,995	13,496
Less: Amounts due for settlement within twelve months (shown under current liabilities)			(3,999)	(9,830)
Amounts due for settlement after twelve months			996	3,666

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 leases obligations under finance leases are denominated in Hong Kong dollars same as the functional currency of the Group.

26. AMOUNTS DUE TO A SHAREHOLDER/AMOUNTS DUE TO MINORITY SHAREHOLDERS

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

27. BORROWINGS

	The Group 2008 HK$'000	The Group 2007 HK$'000
Trust receipts loans	27,599	59,327
Bank overdrafts	12,278	11,280
Bank loans	73,510	68,087
Other loan	3,239	3,750
	116,626	142,444
Analysis as:		
Secured	108,098	111,164
Unsecured	8,528	31,280
	116,626	142,444

The maturity profile of the above borrowings is as follows:

	2008 HK$'000	2007 HK$'000
On demand or within one year	98,781	119,346
More than one year, but not exceeding two years	17,845	23,098
	116,626	142,444
Less: amount due within one year shown under current liabilities	(98,781)	(119,346)
	17,845	23,098

The trust receipts loans, bank overdrafts, bank loans and other loan carry interest at the 1% to 7.5%(2007: 1% to 7.5%).

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

The bank loans of the Company in the amount of HK$3,750,000 (2007: HK$20,000,000) are guaranteed by two wholly-owned subsidiaries on a joint and several basis.

28. 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 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 noteholder's 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 terms set out in the placing agreement.

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 is included in shareholders' equity. The effective interest rate of the liability component is 8.85% 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	
	2008	**2007**
	HK$'000	*HK$'000*
Proceeds of issue	302,050	302,050
Equity component	(58,645)	(58,645)
Liability component at dates of issue	243,405	243,405
Interest charge	28,568	2,184
Interest paid	(9,817)	(755)
Carrying amount at the end of the year	262,156	244,834

29. 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 2007, 31 December 2007, 1 January 2008 and 31 December 2008	4,000,000,000	40,000
Issued and fully paid:		
At 1 January 2007	535,000,000	5,350
Issue of shares	133,000,000	1,330
Issue of shares upon exercise of share options	23,937,500	239
As at 31 December 2007 and 1 January 2008 and 31 December 2008	691,937,500	6,919

30. 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.

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	18.7.2007	1.32	18.7.2007 to 18.7.2010	6,500,000	–	–	–	6,500,000
	26.11.2007	1.21	26.11.2008 to 26.11.2010	6,000,000	–	–	–	6,000,000
	14.12.2007	1.12	14.6.2008 to 14.12.2010	2,000,000	–	–	–	2,000,000
	25.3.2008	0.53	25.3.2008 to 24.3.2011	–	12,000,000	–	–	12,000,000
Consultants	18.7.2007	1.320	18.7.2007 to 18.7.2010	5,000,000	–	–	–	5,000,000
Total				19,500,000	12,000,000	–	–	31,500,000

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

Category	**Date of grant**	**Exercise price** *HK$*	**Exercise period**	**As at 1 January 2007**	**Granted during the year**	**Lapsed during the year**	**Exercised during the year**	**As at 31 December 2007**
Employees	14.12.2004	0.238	14.12.2004 to 13.12.2007	13,281,250	–	–	(13,281,250)	–
	18.07.2007	1.32	18.7.2007 to 17.7.2010	–	8,000,000	(1,500,000)	–	6,500,000
	26.11.2007	1.12	26.11.2008 to 26.11.2010	–	6,000,000	–	–	6,000,000
	14.12.2007	1.12	14.12.2008 to 14.12.2011	–	2,000,000	–	–	2,000,000
Consultants	14.12.2004	0.238	14.12.2004 to 13.12.2007	2,656,250	–	–	(2,656,250)	–
	15.3.2007	0.143	15.3.2007 to 15.3.2010	–	8,000,000	–	(8,000,000)	–
	18.7.2007	1.320	18.7.2007 to 18.7.2010	–	5,000,000	–	–	5,000,000
Total				15,937,500	29,000,000	(1,500,000)	(23,937,500)	19,500,000

Note:

On 14 December 2004, the Company granted share options under the Scheme to certain employees of the Group and a consultant, which entitle them to subscribe for a total of 13,281,250 shares and 2,656,250 shares respectively at HK$23.8 cents per share. The total amount of consideration received from the participants for taking up the options granted was HK$7. All these share options were exercised during the years ended 31 December 2007.

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$19 (2007: 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.

31. 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 2007	68,551	71,463	–	–	(6,495)	133,519
Issue of shares	18,620	–	–	–	–	18,620
Issue of shares upon exercise of share options	4,698	–	–	(238)	–	4,460
Recognition of equity component of convertible notes	–	–	58,645	–	–	58,645
Share-based option expenses	–	–	–	4,128	–	4,128
Share issue expenses	(5,986)	–	–	–	–	(5,986)
Loss for the year	–	–	–	–	(8,911)	(8,911)
As at 31 December 2007 and 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	85,883	71,463	58,645	8,820	(192,984)	31,827

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 profits which in aggregate amounted to approximately HK$32 million as at 31 December 2008 (2007: HK$204 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.

32. DEFERRED TAX (ASSETS) LIABILITIES

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

	Accelerated tax depreciation	**Tax losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2007	426	(336)	90
Charged to the income statement for the year *(note 10)*	18	271	289
As at 31 December 2007 and 1 January 2008	444	(65)	379
Charged (credited) to the income statement for the year *(note 10)*	246	(1,285)	(1,039)
As at 31 December 2008	690	(1,350)	(660)

As at 31 December 2008, the Group had unused tax losses of HK$29,824,000 (2007: HK$15,412,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$660,000 (2007: liability of HK$379,000) of such losses. No deferred tax has been recognised in respect of the remaining HK$29,824,000 (2007: HK$15,038,000) due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

33. RETIREMENT BENEFITS SCHEME

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

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

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

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

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

34. ACQUISITION OF SUBSIDIARIES

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	**Acquiree's carrying amount before combination**
	HK$'000	*HK$'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 outflow of cash and cash equivalents in respect of the acquisition	(5,211)	

Lanke Biological contributed HK$2,889,185 to the Group's consolidated turnover and HK$1,042,133 to the Group's profit before tax for the period between the date of acquisition and 31 December 2008. Had the combination taken place at the beginning of the year, the Group's consolidated turnover and a profit for the year ended 31 December 2008 would have been HK$3,458,931 and HK$1,169,316 respectively.

On 12 July 2007, the Group acquired 100% of the issued share capital of China Environmental Water Holdings Limited for consideration of HK$200,000,000. The consideration for the acquisition has satisfied by the Company issuing 133,000,000 ordinary shares for HK$0.15 each and the convertible notes in principal amount of HK$180,050,000. The acquisition has been accounted for using the purchase method.

The net assets acquired in the transaction are as follows:

	Fair value	**Acquiree's carrying amount before combination**
	HK$'000	*HK$'000*
Net assets acquired:		
Property, plant and equipment	61,696	61,696
Prepaid lease payments	1,012	1,012
Deposits paid for acquisition of property plant and equipment	5,544	5,544
Inventories	12,630	12,630
Trade and other receivables	8,889	8,889
Bank balances and cash	14,246	14,246
Trade and other payables	(23,343)	(23,343)
Amount due to a shareholder of subsidiary	(5,338)	(5,338)
Amount due to China Water Affairs Group	(28,893)	(28,893)
Tax payable	(2,252)	(2,252)
Other borrowings	(3,750)	(3,750)
	40,441	
Minority interests	(27,401)	
Waiver of amount due to China Water Affairs Group	19,258	
Goodwill	171,613	
Total consideration	203,911	
Satisfied by:		
Issue of new shares	19,950	
Issue of convertible notes	180,050	
Direct transaction costs attributable to the acquisition	3,911	
	203,911	
Net cash inflow arising from acquisition:		
Cash consideration paid	(3,911)	
Bank balance and cash acquired	14,246	
	10,335	

Since its acquisition, CEWH contributed HK$15,746,393 to the Group's consolidated turnover and a profit of HK$9,861,555 to the Group's consolidated profit for the year ended 31 December 2007. Had the combination taken place at the beginning of the year, the Group's consolidated turnover and a profit for the year ended 31 December 2007 would have been HK$24,082,785 and HK$1,661,882 respectively.

35. PLEDGE OF ASSETS

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

	2008	2007
	HK$'000	*HK$'000*
Land and buildings together with relevant land use rights situated in the PRC	48,752	48,043
Land and buildings situated in Hong Kong	489	526
Plant and machinery	5,462	5,224
Trade receivables of subsidiaries	3,274	2,296
Bank deposits	15,294	23,622
	73,271	79,711

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

36. 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	
	2008	2007	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	1,385	2,938	475	796
In the second to fifth years inclusive	1,010	1,843	–	538
More than five years	5,000	5,250	–	–
	7,395	10,031	475	1,334

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.

37. CAPITAL COMMITMENTS

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment	–	10,460

38. CONTINGENT LIABILITIES

Contingent liabilities at 31 December are analysed as follows:

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Guarantees given in respect of borrowings and other banking facilities for subsidiaries	–	–	55,580	115,424

The Company has not recognised any deferred income for the guarantees given in respect of borrowing and other banking facilities as their fair value cannot be reliably measured and 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 2008 and 31 December 2007.

39. POST BALANCE SHEET EVENTS

Subsequent to the financial year end, on 1 April 2009, 345,968,750 ordinary shares of HK$0.01 were issued at HK$0.08 per share by way of an open offer to the shareholders of the Company on the basis of one share for every two ordinance shares held. The net proceeds of the open offer were approximately HK$11.85 million following capitalized the amount due to China Water Affairs of approximately HK$15.82 million pursuant to terms of underwriting agreement. Details are included in the Company's circular to shareholders dated 6 March 2009.

40. 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:

		2008	**2007**
	Notes	*HK$'000*	*HK$'000*
Rentals paid to:			
– Lucky Fair Investment Limited	*(i) & (ii)*	180	180
– Tai Tung Supermarket Limited	*(i) & (ii)*	288	228
– Mr. But Ching Pui	*(ii)*	72	72
– The But's Family and Mr. But Chai Leung	*(ii)*	144	144
– Mr. But Ka Wai and Mr. But Chai Leung	*(ii)*	156	156
– Mr. But Ching Pui and Ms. Leung Wai Ling	*(ii)*	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 are set out in note 9.

Notes:

(i) Mr. But Ching Pui, Ms. Leung Wai Ling, Mr. But Ka Wai and Mr. But Chai Tong, all of whom are directors and beneficial shareholders of the Company, are collectively referred to as the "But's Family". The But's Family has 100% beneficial interests in these companies.

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

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2008 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
Top Rainbow Investments Limited	British Virgin Islands/ Hong Kong	Ordinary share USD1	100%	Investment holding
Top Harbour Development Limited	British Virgin Islands/ Hong Kong	Ordinary share USD1	100%	Investment holding
In-directly hold:				
Wah Yuen Foods (China) Limited 華園食品(中國)有限公司	British Virgin Islands/ Hong Kong	Ordinary shares USD1,000	100%	Investment holding
Hong Kong Wah Yuen Foods Company Limited 香港華園食品廠有限公司	British Virgin Islands/ Hong Kong	Ordinary share HK$1	100%	Investment holding
Wah Yuen Investment Limited 華園投資有限公司	British Virgin Islands/ Hong Kong	Ordinary shares USD1,000	100%	Investment holding
Wealthstar Investments Limited 裕星投資有限公司	British Virgin Islands/ Hong Kong	Ordinary shares USD1	100%	Investment holding
Wah Yuen Licensing Company Limited 華園商標有限公司	Cook Islands/ Hong Kong	Ordinary shares HK$10	100%	Holding of trademarks
Honfine Company Limited 朗耀有限公司	Hong Kong	Ordinary shares HK$10 Non-voting deferred shares HK$2 *Note (iii)*	100%	Distribution and marketing of snack foods products

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
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
Million Riches Development Limited 裕億發展有限公司	Hong Kong	Ordinary shares HK$100 Non-voting deferred shares HK$1,000,000 *Note (ii)*	100%	Distribution and marketing of snack foods 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
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
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

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
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 鄂爾多斯高原聖果生態建設開發有限公司	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
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
甘肅高原聖沐沙棘開發有限公司	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
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

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
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
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
上海華源藍科生物制品營銷有限公司	PRC	Registered and contributed capital RMB1,000,000	100%	Selling and distribution of health products
深圳高原聖果生物科技有限公司	PRC	Registered and contributed capital RMB1,000,000	90%	Technical development of seabuckthorn products; remediation system development of water ecosystem protection; wholesale of commodity and packed food
Cebar Base International Limited	Hong Kong	Ordinary shares HK$10	100%	Technical development of seabuckthorn products

(i) Wah Yuen (Guangzhou) Foods Company Limited, Rocco Foods Enterprises Company (Guangzhou) Limited, Guangzhou Lekker Pet Foods Company Limited, and Wide Spread Foods Company Limited are wholly foreign owned enterprises established in the PRC.

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

(iii) None of the subsidiaries had any debt securities outstanding as at 31 December 2008 or at any time during the year.

42. COMPARATIVE FIGURES

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

B. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The following is the unaudited financial statements of the Group together with accompanying notes extracted from the interim report of the Company for the six months ended 30 June 2009.

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
		2009	**2008**
		(unaudited)	**(unaudited)**
	Note	*HK$'000*	*HK$'000*
Turnover	*3*	50,943	128,136
Cost of sales		(39,046)	(88,962)
Gross profit		11,897	39,174
Gain from changes in fair value of biological assets less estimated point-of-sales costs		–	60,211
Other operating income		1,454	2,756
Selling and distribution expenses		(9,674)	(13,388)
Administrative expenses		(19,288)	(20,779)
Finance costs	*4*	(17,557)	(20,186)
Operating (loss) profit before impairment charges		(33,168)	47,788
Impairment on trade receivables		(19,571)	–
Changes in fair value less estimated point-of-sales costs of biological assets		(23,284)	–
(Loss) profit before taxation		(76,023)	47,788
Income tax credit (expense)	*5*	38	(3,972)
(Loss) profit for the period	*6*	(75,985)	43,816
Attributable to:			
– Equity holders of the Company		(64,018)	16,124
– Minority interests		(11,967)	27,692
		(75,985)	43,816
Dividend	*7*	–	–
(Loss) earnings per share	*8*		
– Basic		(7.38) cents	2.16 cents
– Diluted		N/A cents	1.07 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2009	**2008**
	(unaudited)	**(unaudited)**
	HK$'000	*HK$'000*
(Loss) profit for the period	(75,985)	43,816
Other comprehensive income:		
Exchange differences arising on translation	(766)	8,726
Total comprehensive income for the period (net of tax)	(76,751)	52,542
Total comprehensive income attributable to:		
– Equity holders of the Company	(64,784)	24,728
– Minority interests	(11,967)	27,814
	(76,751)	52,542

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2009 (unaudited) HK$'000	As at 31 December 2008 (audited) HK$'000
NON-CURRENT ASSETS			
Prepaid lease payments		3,088	3,079
Property, plant and equipment		198,730	195,856
Biological assets	9	4,560	27,844
Intangible assets		1,002	1,014
Goodwill		73,480	73,480
Deferred tax assets		660	660
		281,520	301,933
CURRENT ASSETS			
Inventories		50,803	43,395
Trade and other receivables	10	120,053	162,763
Tax recoverable		2,002	2,010
Derivative financial instruments		6,391	6,864
Pledged bank deposits		8,966	15,294
Bank balances and cash		21,219	21,189
		209,434	251,515
CURRENT LIABILITIES			
Trade and other payables	11	44,868	44,929
Obligation under finance leases		1,507	3,999
Derivative financial instruments		–	1,831
Tax payable		2,177	302
Amounts due to minority shareholders		24,700	5,652
Amount due to a shareholder		3,000	15,000
Borrowings		43,297	98,781
		119,549	170,494
NET CURRENT ASSETS		89,885	81,021
TOTAL ASSETS LESS CURRENT LIABILITIES		371,405	382,954

	Note	As at 30 June 2009 (unaudited) HK$'000	As at 31 December 2008 (audited) HK$'000
NON-CURRENT LIABILITIES			
Obligation under finance leases		709	996
Borrowings		47,413	17,845
Convertible notes	12	263,876	262,156
		311,998	280,997
		59,407	101,957
CAPITAL AND RESERVES			
Share capital	13	11,046	6,919
Reserves		21,289	55,999
Equity attributable to equity holders of the Company		32,335	62,918
Minority interests		27,072	39,039
TOTAL EQUITY		59,407	101,957

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

Unaudited six months ended 30 June 2009

	Share capital HK$'000	Share premium HK$'000	Convertible notes equity reserve HK$'000	Special reserve HK$'000	PRC statutory reserves HK$'000	Share option reserve HK$'000	Translation reserves HK$'000	Accumulated deficits HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2009	6,919	85,883	58,645	10,816	25,565	8,820	20,767	(154,497)	62,918	39,039	101,957
Loss for the period	–	–	–	–	–	–	–	(64,018)	(64,018)	(11,967)	(75,985)
Exchange differences	–	–	–	–	–	–	(766)	–	(766)	–	(766)
Total comprehensive income for the period	6,919	85,883	58,645	10,816	25,565	8,820	20,001	(218,515)	(1,866)	27,072	25,206
Equity-settled share option arrangement	–	–	–	–	–	530	–	–	530	–	530
Issue of new shares											
– Conversion of convertible notes	667	9,711	(3,119)	–	–	–	–	–	7,259	–	7,259
– Open offer	3,460	24,218	–	–	–	–	–	–	27,678	–	27,678
Transaction costs attributable to issue of shares	–	(1,266)	–	–	–	–	–	–	(1,266)	–	(1,266)
At 30 June 2009	11,046	118,546	55,526	10,816	25,565	9,350	20,001	(218,515)	32,335	27,072	59,407

Unaudited six months ended 30 June 2008

	Share capital HK$'000	Share premium HK$'000	Convertible notes equity reserve HK$'000	Special reserve HK$'000	PRC statutory reserves HK$'000	Share option reserve HK$'000	Translation reserves HK$'000	Accumulated profits HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2008	6,919	85,883	58,645	10,816	25,565	3,890	9,669	139,086	340,473	72,747	413,220
Profit for the period	–	–	–	–	–	–	–	16,124	16,124	27,692	43,816
Exchange differences	–	–	–	–	–	–	8,604	–	8,604	122	8,726
Total comprehensive income for the period	6,919	85,883	58,645	10,816	25,565	3,890	18,273	155,210	365,201	100,561	465,762
Equity-settled share option arrangements	–	–	–	–	–	2,465	–	–	2,465	–	2,465
At 30 June 2008	6,919	85,883	58,645	10,816	25,565	6,355	18,273	155,210	367,666	100,561	468,227

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 June	
	2009	2008
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
NET CASH USED IN OPERATING ACTIVITIES	(9,954)	(26,500)
NET CASH USED IN INVESTING ACTIVITIES	(1,110)	(29,121)
NET CASH FROM FINANCING ACTIVITIES	11,758	15,546
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	694	(40,075)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	20,205	123,441
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	–	(2,849)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	20,899	80,517
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	21,219	103,891
Pledged bank deposits	4,966	–
Bank overdrafts	(5,286)	(23,374)
	20,899	80,517

NOTES TO THE INTERIM FINANCIAL INFORMATION
For the period ended 30 June 2009

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial report has been prepared on the historical cost basis except for certain financial instruments which are measured at fair values, as appropriate. The accounting policies used in the interim report are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008.

In the current period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new or revised HKFRSs") issued by HKICPA, which are effective for the Group's financial year beginning on 1 January 2009.

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure HKFRS 8 is a disclosure Standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, HKAS 14 Segment Reporting, required the identification of 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. The adoption of the new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied new and revised standards amendments or interpretations that have been issued but are not yet effective. The adoption of HKFRS 3 (Revised 2008) may effect the Group's accounting for business combinations for which the acquisition dates are on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in loss of control of the subsidiary. Changes in the Group's ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transactions. The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

2. FINANCIAL RISK MANAGEMENT

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the annual financial statements for the year ended 31 December 2008.

3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 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 in order to allocate resources to segments and to assess 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 serving only as the starting point for the identification of such segments. 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 has the adoption of HKFRS 8 changed the basis of measurement of segment profit and loss.

The following is an analysis of the Group's revenue and results by operating segment for the period under review:

	Wah Yuen Foods Business		Seabuckthorn Business		Eliminations		Consolidated	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2009	2008	2009	2008	2009	2008	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE								
External sales	38,850	118,550	12,093	9,586	–	–	50,943	128,136
Inter-segment sales	10,931	9,653	–	–	(10,931)	(9,653)	–	–
Total revenue	49,781	128,203	12,093	9,586	(10,931)	(9,653)	50,943	128,136
RESULTS								
Segment operating results before impairment charges	(9,335)	17,381	(7,201)	50,302			(16,536)	67,683
Impairment on trade receivables							(19,571)	–
Changes in fair value less estimated point-of-sales costs of biological assets							(23,284)	–
Unallocated corporate income							1,454	2,756
Unallocated corporate expenses							(529)	(2,465)
Finance costs							(17,557)	(20,186)
Taxation							38	(3,972)
(Loss) profit for the period							(75,985)	43,816

4. FINANCE COSTS

	For the six months ended 30 June 2009 (unaudited) *HK$'000*	2008 (unaudited) *HK$'000*
Interest expense on bank loans borrowings wholly repayable within five years	4,005	6,673
Interest expense on obligations under finance leases	65	321
Effective interest expense on convertible notes	13,487	13,192
	17,557	20,186

5. TAXATION

	For the six months ended 30 June 2009 (unaudited) *HK$'000*	2008 (unaudited) *HK$'000*
Current tax:		
Hong Kong Profits Tax	–	540
PRC Enterprise Income Tax	42	3,382
Overprovision in prior years:		
Hong Kong Profits Tax	(80)	–
	(38)	3,922
Deferred tax charge for the period	–	50
	(38)	3,972

Hong Kong Profits Tax was provided at the rate of 16.5% (six months ended 30 June 2008: 16.5%) of the estimated assessable profits arising in Hong Kong for the period.

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. The 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 of 25% within 5 years. Certain subsidiaries of the Company established in the PRC will enjoy preferential income tax rate from 2009 to 2011 and be taxed at the rate of 25% from 2012 when the preferential treatment expires.

6. (LOSS) PROFIT FOR THE PERIOD

The Group's (loss) profit for the period is arrived at after charging (crediting):

	For the six months ended 30 June 2009 (unaudited) *HK$'000*	2008 (unaudited) *HK$'000*
Cost of inventories sold	39,046	88,962
Gain from changes in fair value of biological assets less estimated point-of-sales costs	–	(60,211)
Depreciation and amortisation	5,338	5,831
Changes in fair value less estimated point-of-sales costs of biological assets	23,284	–
Impairment on trade receivables	19,571	–
Equity-settled share option expenses	529	2,465
Operating lease rental in respect of rental premises	1,203	1,287

7. INTERIM DIVIDEND

No dividends were paid, declared or proposed during the reported Period. The directors do not recommend the payment of an interim dividend (six months ended 30 June 2008: Nil).

8. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	For the six months ended 30 June 2009 (unaudited) *HK$'000*	2008 (unaudited) *HK$'000*
(Loss) earnings:		
(Loss) earnings for the purpose of basic (loss) earnings per share	(64,018)	16,124
Effect of dilutive potential ordinary shares:		
Interest on convertible notes	13,487	4,691
(Loss) earnings for the purpose of dilutive earnings per share	(50,531)	20,815

	For the six months ended 30 June 2009	2008
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	866,912,753	747,846,050
Effect of dilutive potential ordinary shares:		
– share options	–	2,183,908
– convertible notes	1,133,666,667	1,200,333,333
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,000,579,420	1,950,363,291

The weighted average number of ordinary shares for the six months ended 30 June 2008 had been adjusted for the open offer which was completed in 1 April 2009.

Diluted loss per share has not been presented for the six months ended 30 June 2009 as the conversion of the Company's outstanding convertible notes would decrease the loss per share.

9. BIOLOGICAL ASSETS

	As at 30 June 2009 (unaudited) *HK$'000*	As at 31 December 2008 (audited) *HK$'000*
Seabuckthorn Bushes		
At beginning of period	27,844	74,909
Gain in 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
Changes in fair value less estimated point-of-sales costs of biological assets	(23,284)	(59,542)
At end of period	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, Shanxi Province and Gansu Province. The Forest Tree Rights cover a total land area of 1,106,545 mu and involves 1,478 forest sectors. 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.

Its leaves, 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 flavour soft capsules, seed oil soft capsules, seed oil, pulp oil, tea in packs and cosmetic series.

10. 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.

	As at 30 June 2009 (unaudited) *HK$'000*	**As at 31 December 2008 (audited)** *HK$'000*
Trade receivables	116,392	162,205
Less: Provision for doubtful debts	(19,571)	(41,735)
	96,821	120,470
Deposits, prepayments and other receivables	23,232	42,293
	120,053	162,763

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

	As at 30 June 2009 (unaudited) *HK$'000*	**As at 31 December 2008 (audited)** *HK$'000*
Within 90 days	13,860	34,577
91 to 180 days	5,930	41,305
Over 180 days	77,031	44,588
Trade receivables	96,821	120,470

11. TRADE AND OTHER PAYABLES

An aged analysis of the trade payables is as follows:

	As at 30 June 2009 (unaudited) *HK$'000*	As at 31 December 2008 (audited) *HK$'000*
Within 90 days	7,688	11,287
91 to 180 days	6,079	2,095
Over 180 days	3,564	5,859
Trade payables	17,331	19,241
Other payables	27,537	25,688
	44,868	44,929

12. CONVERTIBLE NOTES

On 13 November 2007, the Company issued convertible notes with a principal amount of HK$180 million ("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 22 June 2009, the 2017 Notes in an aggregate principal amount of HK$10 million were converted into the Company's shares at a conversion price of HK$0.15 per share. As a result of the Conversion, 66,666,666 new shares were issued.

On 28 November 2007, the Company issued 3% convertible notes with aggregate principal amounts of HK$122 million ("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 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.

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 terms set out in the placing agreement.

On 11 August 2009, the conversion price of 2010 notes has been adjusted from HK$1.144 per share to HK$0.4 per share in accordance with the terms and conditions of the deed of alteration entered into between the Company and the noteholders on 14 July 2009. Further details have been provided in the Company's circular dated 16 July 2009.

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 amount represent the value of the equity component and is included in shareholders' equity. The effective interest rates of the liability component are ranging from 7.55% to 14.10% per annum. The movement of the liability component of 2017 and 2010 Notes for the period is set out below:

	As at 30 June 2009	**As at 31 December 2008**
	HK$'000	*HK$'000*
Liability component at beginning of period	262,156	244,834
Interest charge	13,487	26,384
Interest paid	(4,508)	(9,062)
Conversion of 2017 Notes	(7,259)	–
Liability component at end of period	263,876	262,156

13. SHARE CAPITAL

Ordinary Shares	*Note*	**Number of Shares**	**Amount** *HK$'000*
Authorised:			
Ordinary shares of HK$0.01 each at 31 December 2008 and 30 June 2009		4,000,000,000	40,000
Issued and fully paid:			
Ordinary shares of HK$0.01 each at 1 January 2008 and 31 December 2008		691,937,500	6,919
Issue of shares on open offer	*(i)*	345,968,750	3,460
Issue of shares on conversion of convertible notes	*(ii)*	66,666,666	667
At 30 June 2009		1,104,572,916	11,046

Notes:

(i) On 1 April 2009, the Company issued 345,968,750 ordinary shares of HK$0.01 each to qualifying shareholders at the subscription price of HK$0.08 each in satisfaction of the sum of HK$27,677,500. The excess over the nominal value of the issued shares amounting to HK$24,218,000 was credited to the share premium account of the Company.

(ii) On 22 June 2009, the 2017 Notes in an aggregate principal amount of HK$10,000,000 were converted into the Company's shares at a conversion price of HK$0.15 per share. As a result of the conversion, 66,666,666 new shares were issued.

(iii) All shares rank pari passu in all respects at 30 June 2009.

3. INDEBTEDNESS

(a) Borrowings

At the close of business on 31 October 2009, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had total borrowings of HK$665,710,000 comprising long-term secured bank loans of approximately HK$157,248,000, long-term unsecured bank loans of approximately HK$36,837,000, unsecured other borrowings of HK$193,182,000, obligations under finance lease of approximately HK$1,283,000, other secured borrowings of approximately HK$3,830,000, unsecured amounts due to minority shareholders of approximately HK$7,523,000, unsecured convertible notes of approximately HK$265,807,000.

(b) Security and guarantees

At 31 October 2009, the Enlarged Group's bank borrowings were secured by the following:

(i) Charges on certain land and buildings held by the Enlarged Group with a carrying value of approximately HK$48,496,000;

(ii) Charges on certain plant and machinery of the Enlarged Group with a carrying value of approximately HK$5,181,000;

(iii) Charges on certain bank deposits of the Enlarged Group with a carrying value of approximately HK$12,730,000;

(iv) Charges on certain property under development of the Enlarged Group with a carrying value of approximately HK$181,818,000;

(v) Corporate guarantees executed by certain members of the Enlarged Group.

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

(c) Contingent liabilities

As at 31 October 2009, the Enlarged Group had total future minimum lease payments under non-cancelable operating leases in respect of rented premises amounting to approximately HK$3,138,000.

As at 31 October 2009, the Enlarged Group had capital commitment in relation to the acquisition of the entire equity interest in Guangdong Kangli of approximately HK$27,126,437.

As at 31 October 2009, there were no guarantees given by the Enlarged Group in respect of banking facilities available to associates of the Enlarged Group.

(d) Disclaimers

Save as aforesaid and apart from intra-group liabilities and normal trade payables, the Enlarged Group did not have any loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorised or otherwise created but unissued and term loans or other borrowings, indebtedness in the nature of borrowings, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities outstanding at the close of business on 31 October 2009.

Save as disclosed above, the directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Enlarged Group since 31 October 2009, up to and including in the Latest Practicable Date.

For the purpose of the above indebtedness statement, foreign currency accounts have been translated into Hong Kong dollars at the approximate rates of exchange prevailing at the close of business on 31 October 2009.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save as disclosed, the Directors are not aware of any material adverse change in the financial or trading position or outlook of the Enlarged Group since 31 December 2008, the date to which the latest published audited financial statements of the Enlarged Group were made up.

5. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, taking into consideration the financial resources available to the Enlarged Group including the internally generated funds, the Enlarged Group will have sufficient working capital for at least twelve months from the date of this circular.

6. MANAGEMENT DISCUSSION AND ANALYSIS ON THE GROUP

The following is the management and discussion analysis extracted from the interim reports for the six months ended 30 June 2009.

Management discussion and analysis

The Group is the largest manufacturer and provider of seabuckthorn in China, and a leading manufacturer and provider of a comprehensive range of seabuckthorn-related products and healthcare products in the country. Leveraging on its economies of scale and vertically integrated model, the Group is well-positioned to capture the growing potential of the seabuckthorn sector in the healthcare market in China.

The Group is also a leading operator in food manufacturing, sales and distribution, exports, and research and development with over 50 years of experience. It offers over 200 types of quality snack products in unique Asian flavours, enriching people's savours and tastes, under the renowned "Wah Yuen", "Rocco" and "采楓" brands.

Results summary

For the period ended 30 June 2009, the Group reported a turnover of approximately HK$51 million, representing a decrease of approximately 60% over the same period last year. As most of the Group's market and customers had continued to weaken in the first half of 2009 against the background of deteriorating economic conditions, the Group suffered fall in revenue as a result of containment measure in delivery of products through its tighten credit management policy. We considered this measure necessary and in line with our diligent strategies.

The implementation of containment measures also impacted the utilisation of capacity that led profit margins to be depressed. In addition to the deterioration of revenue and profit margins as well as the interest expenses on convertible notes, the impairment charges on trade receivables and change in fair value of biological assets also contributed to results falling for the six months ended 30 June 2009.

The net loss attributable to the equity holders of the Company for the period amounted to HK$64 million, as compared with a profit of HK$16 million in the same period in 2008. The basic loss per share amounted to HK7.38 cents, against basic earnings per share of HK2.16 cents in 2008 (after adjusting for the open offer which was completed in 1 April 2009.

The Board does not propose any interim dividend for the year ended 30 June 2009.

Business review

Seabuckthorn and Related Healthcare Products

During the period under review, the seabuckthorn and related business reported revenue of HK$12 million, which represented an increase of HK$2.4 million, or 26% over HK$9.6 million in the same period last year.

The Group continued to undertake steps to review and integrate the new business and operation. The focus of review was to determine an appropriate strategy in the current economic conditions so as to maintain and improve long-term profitability. The integration objectives should be focusing on optimising returns from existing production sources in seabuckthorn segment and also exploring new revenue streams with its current extensive products portfolio.

The Group also implemented cost reduction plan to align its operations and resources to meet an increasingly competitive health care products and seabuckthorn related-products environment in order to help restore its capability and chart the path to profitable growth.

Packaged Food and Convenience Frozen Food Products

For the six month ended 30 June 2009, the production and sales of snack food and convenience frozen food products continued to be the Group's major revenue contributor. However, the total sales decreased by 67% to HK$39 million compared to the same period in 2008.

During the period, the Group instigated containment measure 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. This measure impacted the trading performance and margins over the period. Pet food business, however, continued to trade well with their successful formulae and through the introduction of more product ranges and new business avenues.

Furthermore, the recessionary economic environment and the precipitous decline in consumption in first half of 2009 also posted exceptional challenges to the market players. Although the negative publicity of food safety surrounded the PRC passed away, the stringent inspection requirement for all export companies in China still affected the Group's export volume and shipment time in the PRC.

The Group continued to take early and tough action to align overheads to a fall in revenue to optimise and consolidate the distribution network and sales points, and further strengthened cooperation with a number of key accounts, including supermarkets and convenience stores, maintaining its effective presence in the market.

Production Facilities

Currently, the Group operates three production facilities, which are located in Hong Kong and at Huadu District of Guangzhou in Guangdong Province while, 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, and the total planting area will increase at a speed of over 10% annually according to our plan of planting 40,000 hectares per year.

Accredited the internationally recognized Hazard Analysis and Critical Control Point (HACCP) certificate as well as the ISO 9001 and ISO 9002 certificates, the Group's highly efficient production lines maintained smooth operation, delivering quality products in compliance with excellent hygiene standard.

Future prospects

2009 is a turbulent and transformational year for the Group. The Group expects market conditions continue to deteriorate in this year and anticipate that trading conditions will remain challenging particularly in our customers and markets over the remainder of the year. In the circumstances our drive for tighten cost control and cash generation remains a key focus for the Group. These actions, coupled with the Group's recently strengthen financial position through the open offers, leaves us well placed both to meet the current challenges and to capitalise on a future market recovery.

On 21 September 2009, the resolution approving the open offer has been duly passed at the extraordinary general meeting. The net proceeds of approximately HK$279 million will be received and applied for financing possible diversified business strategies of the Group including but not limited to purchase and development of properties located in the PRC from China Water and/or other parties. The Group believes that the fundamental risks for property market in the PRC are well contained. Loans to the household sector picked up notably this year given the continued recovery in property transaction volumes since late last year. These conditions prompt the Group to take part in property development in the PRC. The Group also nominated and appointed the directors who have substantial experience in property development and management in the PRC in order to translate into organisational efficiencies throughout our new business strategy.

The Group's turnaround strategy, which over the longer term aims to revive all brands to growth and profitability, is processing and will focus on rebuild to be a stronger and more competitive company than ever before.

Financial position

The Group's cash and bank balances together with deposits amounted to HK$30.2 million at 30 June 2009. The Group had total assets of HK$491 million and its total current assets was HK$209 million. The current and non-current assets was HK$120 million and HK$312 million respectively. The amount of bank borrowings was HK$91 million (31.12.2008: HK$117 million). Most of bank borrowings were denominated in Hong Kong dollars and bearing a floating rate of interest. At 30 June 2009, total loan facilities outstanding and convertible notes amounted to HK$93 million and HK$264 million respectively. Based on a net borrowings of HK$327 million at period end, the Group's gearing ratio (expressed as a ratio of net borrowings to total assets) was 66.6% (31.12.2008: 62.7%).

In the circumstances of current business and financial market conditions, the Group will endeavor to maintain a low level of gearing and continue to monitor the market situation for any financing needs and opportunities.

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. During the period under review, the Group entered into foreign currency forward contracts to manage the Group's exposure to fluctuation in exchange rates. The fair value of the contract amounted to HK$6.4 million as at 30 June 2009. Other than derivative financial instruments in connection with our daily operations as mentioned above, the Group had not entered into other derivative financial instruments throughout the period. There was no material foreign exchange exposure to the Group during the period under review.

Material acquisitions and disposals

During the six months ended 30 June 2009, the Group has no material acquisitions and disposals.

Pledged of assets, contingent liabilities and commitments

There was no material changes in the Group's pledged of assets, contingent liabilities and commitments as compared to the most recent published annual report.

Employees and remuneration policies

As at 30 June 2009, the total number of employees of the Group was approximately 600. The total staff costs for the period under review were approximately HK$10.7 million (six months ended 30 June 2008: HK$9.8 million). The Group offers comprehensive remuneration and employees' benefits package to its employees. In additions, share options and discretionary bonuses are also granted to eligible staff based on their performance and the results of the Group.

7. TRADING AND FINANCIAL PROSPECTS OF THE ENLARGED GROUP

The Group is principally engaged in property development and investment in the PRC as well as packaged food and healthcare products business. The Group is pursuing a strategy to expand its exposure in the property development markets in the PRC. Leveraging on the land resources and government connections of our major shareholder China Water Affairs Group Limited, the Group will take part in property development in the PRC. The Group will primarily focusing on developments in the provincial capital cities along the Yangtze River and will gradually extend its reach to other second and third-tier cities in the PRC. The proposed acquisition of a landmark project in Wuhan marks great steps forward for property business of the Enlarged Group. It is confident that the Enlarged Group's future businesses will be developing at a brisk pace and enhancing values for the Shareholders.

A. ACCOUNTANTS' REPORT ON WEALTH FULL GLOBAL INVESTMENTS LIMITED

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the reporting accountants of Wealth Full Global Investments Limited

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

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30 November 2009

The Board of Directors
China Water Property Group Limited
Unit 1816, 18/F
Sun Hung Kai Centre,
30 Harbour Road,
Wanchai
Hong Kong

Dear Sirs,

We set out below our report on the financial information relating to Wealth Full Global Investments Limited ("Wealth Full") including the statements of financial position for the period from 22 July 2009 (Date of Incorporation) to 31 August 2009, the statements of comprehensive income and the statements of changes in equity for the period from 22 July 2009 (Date of Incorporation) to 31 August 2009, and the notes thereto (the "Financial Information"), for inclusion in the circular of China Water Property Group Limited (the "Company") dated 30 November 2009 (the "Circular") in connection with the conditional sale and purchase agreement dated 19 October 2009 (the "Agreement") entered into between the Company and Highest Growth Holdings Limited ("Vendors") pursuant to the Agreement, it was agreed that the Company would acquire 100% equity interest of Wealth Full Global Investments Limited ("Wealth Full") at an aggregate consideration of RMB200 million for which Wealth Full will complete the acquisition of Fu Cheng as disclosed in announcement dated 29 October 2009.

Wealth Full was incorporated in British Virgin Islands on 22 July 2009 with limited liability. The registered office of Wealth Full is located at Sea Meadow House, Blackburne Highway, (P.O. Box 116), Road Town, Tortola, British Virgin Islands. The principal activity of Wealth Full is investment holding.

The financial statements of the Wealth Full for the period from 22 July 2009 (Date of Incorporation) to 31 August 2009 were prepared in accordance with the relevant accounting standards and rules of the Hong Kong Financial Reporting Standards which also include Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The financial statements of Wealth Full for the period from 22 July 2009 (Date of Incorporation) to 31 August 2009, were audited by HLM & Co., Certified Public Accountants.

BASIS OF PREPARATION

The Financial Information has been prepared by the director of Wealth Full based on financial statements for the period from 22 July 2009 (Date of incorporation) to 31 August 2009, on the basis as set out in Note 3 below. The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards which also include Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

DIRECTOR'S RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The director of Wealth Full are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and the true and fair presentation of Financial Information that is 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. The director of Wealth Full are responsible for the contents of the Circular in which this report is included.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Financial Information based on our audit. For purpose of this report, we have audited the Financial Information for the period from 22 July 2009 (Date of Incorporation) to 31 August 2009 in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the Financial Information is free from material misstatement. We have also carried out additional procedures as necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of the risks of material misstatement of the Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation and true and fair presentation of the Financial Information 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 director, as well as evaluating the overall presentation of the Financial Information.

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, for the purpose of this report, the Financial Information gives a true and fair view of the state of affairs of Wealth Full as at 31 August 2009 and of results of Wealth Full for the period from 22 July 2009 (Date of Incorporation) to 31 August 2009 in accordance with Hong Kong Financial Reporting Standards.

I. FINANCIAL INFORMATION

The following is the Financial Information of Wealth Full as at 31 August 2009, prepared on the basis set out in Note 3 below.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM 22 JULY 2009 (DATE OF INCORPORATION) TO 31 AUGUST 2009

	NOTES	**22/7/2009-31/8/2009** HKD
Revenue	5	–
Administrative expenses		–
Profit before tax	6	–
Income tax expense	7	–
Profit for the period		–
Total comprehensive income attributable to shareholders		–

STATEMENTS OF FINANCIAL POSITION

AT 31 AUGUST 2009

	NOTES	**31/8/2009** HKD
Current asset		
Other receivable	8	8
Net assets		8
Capital and reserve		
Share capital	9	8
Accumulated profit		–
		8

STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD FROM 22 JULY 2009 (DATE OF INCORPORATION) TO 31 AUGUST 2009

	Share capital	Accumulated profit	Total
	HKD	*HKD*	*HKD*
Issue of capital	8	–	8
Total comprehensive income attributable to shareholders	–	–	–
At 31 August 2009	8	–	8

II. NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 22 JULY 2009 (DATE OF INCORPORATION) TO 31 AUGUST 2009

1. GENERAL

Wealth Full is a private limited company incorporated in British Virgin Islands. The principal activity is investment holding. The registered office of Wealth Full is located at Sea Meadow House, Blackburne Highway, (P.O. Box 116), Road Town, Tortola, British Virgin Islands.

The Financial Information is presented in Hong Kong dollar, which is the functional and presentation currency of Wealth Full.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

Wealth Full has not early applied the following new standards, amendments or interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are or have become effective.

HKFRSs (Amendments)	Improvement to HKFRS 5[2]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[3]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 39 (Amendments)	Eligible Hedged Items[1]
HK(IFRIC) – Int 9 and HKAS 39 (Amendments)	Embedded Derivatives[1]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[4]

[1] Effective for accounting periods ending on or after 31 August 2009
[2] Effective for accounting periods beginning on or after 1 July 2009
[3] Effective for accounting periods beginning on or after 1 January 2010, unless otherwise specified
[4] Effective from 1 July 2009

[*] Improvements to HKFRSs contain amendments to HKFRS 1, HKFRS 4, HKFRS 5, HKFRS 6, HKFRS 7, HKFRS 8, HKAS 2, HKAS 7, HKAS 8, HKAS 10, HKAS 12, HKAS 14, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 21, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 33, HKAS 34, HKAS 36, HKAS 37, HKAS 38, HKAS 39, HKAS 40 and HKAS 41, HK(IFRIC)-Int 2.

The director of the Wealth Full anticipate that the application of these new standard, amendment or interpretations will have no material impact on the results and the financial position of Wealth Full.

Under HKAS 1 (Revised), the "Balance Sheet" is renamed as the "Statement of Financial Position" and the "Cash Flow Statement" is renamed as the Statement of Cash Flows". All income and expenses arising from transactions with non-owner (i.e., the non-owner movements of equity) are presented under the "Statement of Comprehensive Income". While the owner changes in equity are presented in the "Statement of Changes in Equity".

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the Hong Kong Companies Ordinance.

The preparation of Financial Information in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in Note 4 to the Financial Information.

Foreign currency

In preparing the financial statements of the Wealth Full, transactions in currencies other than the functional currency of that Wealth Full (the "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 Wealth Full'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.

Impairment of tangible and intangible assets other than goodwill

At balance sheet date, Wealth Full reviews the carrying amounts of its 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. Impairment losses are 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 periods. A reversal of an impairment loss is recognised as income immediately.

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired.

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 statements 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. Wealth Full's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that is probable taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill (or negative 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 recognized for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where Wealth Full 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 the 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 realized. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Financial instruments

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

Financial assets

Wealth Full's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments and available-for-sale financial assets. 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 on 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.

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 Financial Instruments: Recognition and Measurement ("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.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. The Group designated unlisted equity securities as available-for-sales financial assets.

At 31 August 2009, subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy in respect of impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at 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 an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

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

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it is becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

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 with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When 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.

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

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

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.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL has two subcategories, including financial liabilities held for trading and those designated at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing 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 liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

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

At 31 August 2009 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.

Other financial liabilities

Other financial liabilities including trade and other payables, bank borrowings and obligations under finance leases are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by Wealth Full and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and Wealth Full 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. If Wealth Full retains substantially all the risks and rewards of ownership of a transferred financial asset, Wealth Full continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

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.

4. FINANCIAL RISK MANAGEMENT AND CRITICAL ACCOUNTING ESTIMATES

Wealth Full's activities exposes it a variety of financial risks: credit risk, foreign exchange risk, liquidity risk and cash flow and fair value interest-rate risk. Wealth Full overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Wealth Full's financial performances.

Credit risk

Wealth Full is not exposed to significant credit risk.

Foreign exchange risk

Wealth Full is not exposed to significant foreign exchange risk.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash for daily operation. Wealth Full's exposure to liquidity risk is minimal.

5. REVENUE

There was no revenue generated during the period.

6. PROFIT BEFORE TAX

	22/7/2009-31/8/2009
	HKD
Profit before tax has been arrived at after charging:	
Director' remuneration	–
Auditors' remuneration	–
	–

7. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made as Wealth Full did not generate any income for the period in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which Wealth Full operates, based on existing legislation, interpretations and practices in respect thereof.

8. OTHER RECEIVABLE

The directors of Wealth Full consider that fair values of the Wealth Full's other receivables at 31 August 2009 were approximate to their corresponding carrying amounts.

9. SHARE CAPITAL

	31/8/2009
	HKD
Authorised:	
50,000 ordinary shares of USD1 each	390,000
Issued and fully paid:	
1 ordinary share of USD1 each	8

10. PROFIT PER SHARE

Profit per share has not been presented as such information is not considered meaningful having regard to the purpose of this report.

11. SUBSEQUENT EVENTS

No significant subsequent event took place subsequent to 31 August 2009.

12. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for Wealth Full in respect of any period subsequent to 31 August 2009.

13. MANAGEMENT DISCUSSION AND ANALYSIS

Wealth Full was incorporated on 22 July 2009. There were no issues of liquidity. As at 31 August 2009, Wealth Full had net assets of HK$8. Wealth Full was mainly financed by the internal financial resources.

Yours faithfully,
HLM & Co.
Certified Public Accountants

Hong Kong, 30 November 2009

B. ACCOUNTANTS' REPORT ON HUBEI FU CHENG REAL ESTATE DEVELOPMENT COMPANY LIMITED

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the reporting accountants of Hubei Fu Cheng Real Estate Development Company Limited.

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

Room 305, Arion Commercial Centre
2-12 Queen's Road West, Hong Kong.
香港皇后大道西2-12號聯發商業中心305室
Tel 電話: (852) 3103 6980
Fax 傳真: (852) 3104 0170
E-mail 電郵: hlm@hlm.com.hk

30 November 2009

The Board of Directors
China Water Property Group Limited
Room 1816, 18/F
Sun Hung Kai Centre,
30 Harbour Road,
Wanchai
Hong Kong

Dear Sirs,

We set out below our report on the financial information relating to Hubei Fu Cheng Real Estate Development Company Limited ("Fu Cheng") (湖北阜城房地產開發有限公司) including the statements of financial position as at 31 December 2006, 31 December 2007, 31 December 2008 and 31 August 2009, the statements of comprehensive income, the statements of cash flow and the statements of changes in equity for the period from 27 October 2006 (Date of Incorporation) to 31 December 2006, years ended 31 December 2007 and 2008, and the eight months ended 31 August 2009 (hereinafter collectively referred to as the "Relevant Periods"), and the notes thereto (the "Financial Information"), for inclusion in the circular of China Water Property Group Limited (the "Company") dated 30 November 2009 (the "Circular") in connection with the conditional sale and purchase agreement dated 19 October 2009 (the "Agreement") entered into between the Company and Highest Growth Holdings Limited ("Vendors") pursuant to the Agreement, it was agreed that the Company would acquire 100% equity interest of Wealth Full Global Investments Limited ("Wealth Full") at an aggregate consideration of RMB200 million for which Wealth Full will complete the acquisition of Fu Cheng as disclosed in announcement dated 29 October 2009.

Fu Cheng was incorporated in the People's Republic of China (the "PRC") on 27 October 2006 with limited liability. The registered office of Fu Cheng is located at Pengchenghuiyuan, Block A, No. 110 of Jiedaokounancun, Luonan Street, Hongshan District, Wuhan City, Hubei Province, the PRC. The principal activity of Fu Cheng are development and sale of real estate, and provision of real estate consultancy service.

The financial statements of the Fu Cheng for the Relevant Periods were prepared in accordance with the relevant accounting standards and rules of the PRC. The financial statements of Fu Cheng for the years ended 31 December 2007 and 2008, were audited by Tian Yuan Accounting Business Limited Company of Hubei, Public Accountant.

BASIS OF PREPARATION

The Financial Information has been prepared by the directors of Fu Cheng based on financial statements for the Relevant Periods, on the basis as set out in Note 3 below. The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards which also include Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of Fu Cheng are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and the true and fair presentation of Financial Information that is 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. The directors of Fu Cheng are responsible for the contents of the Circular in which this report is included.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Financial Information based on our audit. For purpose of this report, we have audited the Financial Information for the Relevant Periods in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the Financial Information is free from material misstatement. We have also carried out additional procedures as necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of the risks of material misstatement of the Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation and true and fair presentation of the Financial Information 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 Financial Information.

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, for the purpose of this report, the Financial Information gives a true and fair view of the state of affairs of Fu Cheng as at 31 December 2006, 31 December 2007, 31 December 2008 and 31 August 2009 and of results and cash flows of Fu Cheng for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards.

COMPARATIVE FINANCIAL INFORMATION

Respective responsibility of directors and reporting accountants

The directors of Fu Cheng are responsible for the preparation of the unaudited financial information of Fu Cheng including the statements of comprehensive income, statements of changes in equity and statements of cash flow for the eight months ended 31 August 2008 (the "Comparative Financial Information"), together with the notes thereto.

It is our responsibility to form an independent conclusion, based on our review, on the Comparative Financial Information.

Review work performed

For the purpose of this report, we have also reviewed the unaudited financial information of Fu Cheng including the Comparative Financial Information, together with the notes thereto, for which the directors of Fu Cheng are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by Independent Auditor of the Entity". A review consists principally of making enquiries of company management and applying analytical procedures to Comparative Financial Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the Comparative Financial Information.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, for the purpose of this report, we are not aware of any material modifications that should be made to the financial information for the eight months ended 31 August 2008.

I. FINANCIAL INFORMATION

The following is the Financial Information of Fu Cheng as at 31 December 2006, 2007 and 2008 and 31 August 2009 and for the period from 27 October 2006 (Date of Incorporation) to 31 December 2006, each of the years ended 31 December 2007 and 2008, and the eight months ended 31 August 2009, prepared on the basis set out in Note 3 below.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM 27 OCTOBER 2006 (DATE OF INCORPORATION) TO 31 DECEMBER 2006, YEARS ENDED 31 DECEMBER 2007 AND 2008, AND FOR THE PERIOD FROM 1 JANUARY 2009 TO 31 AUGUST 2009

		Eight months ended		1/1/2008-	1/1/2007-	27/10/2006-
		31/8/2009	31/8/2008	31/12/2008	31/12/2007	31/12/2006
	NOTES	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
			(Unaudited)			
Revenue		–	–	–	–	–
Cost of sales		–	–	–	–	–
Gross profit		–	–	–	–	–
Other income	*5*	71,915	82,242	122,234	180,430	27,157
Administrative expenses		(514,334)	(1,062,858)	(1,503,260)	(1,170,590)	(29,663)
Loss before finance costs		(442,419)	(980,616)	(1,381,026)	(990,160)	(2,506)
Finance costs	*6*	–	–	–	–	–
Loss before tax	*7*	(442,419)	(980,616)	(1,381,026)	(990,160)	(2,506)
Income tax expense	*8*	–	–	–	–	–
Total comprehensive loss attributable to shareholders		(442,419)	(980,616)	(1,381,026)	(990,160)	(2,506)

STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER 2006, 2007, 2008 AND 31 AUGUST 2009

	NOTES	31/8/2009 RMB	31/12/2008 RMB	31/12/2007 RMB	31/12/2006 RMB
Non-current asset					
Property, plant and equipment	9	306,629	84,337	84,613	10,810
Current assets					
Property under development	10	272,102,220	187,286,297	139,002,277	36,300
Other receivables and prepayments	11	47,447,844	3,131,336	4,471,274	20,000,000
Cash and bank balances		13,168,676	4,620,889	17,947,560	52,734
		332,718,740	195,038,522	161,421,111	20,089,034
Current liabilities					
Trade payable	11	542,181	–	–	–
Accruals and other payables	11	15,299,299	6,650,951	36,590	2,350
Amount due to shareholders	12	–	170,845,600	142,461,800	100,000
Borrowings	13	170,000,000	–	–	–
		185,841,480	177,496,551	142,498,390	102,350
Net current assets		146,877,260	17,541,971	18,922,721	19,986,684
Non-current liabilities					
Borrowings	13	100,000,000	–	–	–
Net assets		47,183,889	17,626,308	19,007,334	19,997,494
Capital and reserve					
Paid-in capital	14	50,000,000	20,000,000	20,000,000	20,000,000
Accumulated losses		(2,816,111)	(2,373,692)	(992,666)	(2,506)
		47,183,889	17,626,308	19,007,334	19,997,494

STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD FROM 27 OCTOBER 2006 (DATE OF INCORPORATION) TO 31 DECEMBER 2006, YEARS ENDED 31 DECEMBER 2007 AND 2008, AND FOR THE PERIOD FROM 1 JANUARY 2009 TO 31 AUGUST 2009

	Paid-in capital *RMB*	Accumulated losses *RMB*	Total *RMB*
At 27 October 2006	20,000,000	–	20,000,000
Total comprehensive loss attributable to shareholders	–	(2,506)	(2,506)
At 31 December 2006 and 1 January 2007	20,000,000	(2,506)	19,997,494
Total comprehensive loss attributable to shareholders	–	(990,160)	(990,160)
At 31 December 2007 and 1 January 2008	20,000,000	(992,666)	19,007,334
Total comprehensive loss attributable to shareholders	–	(1,381,026)	(1,381,026)
At 31 December 2008 and 1 January 2009	20,000,000	(2,373,692)	17,626,308
Increase in capital	30,000,000	–	30,000,000
Total comprehensive loss attributable to shareholders	–	(442,419)	(442,419)
At 31 August 2009	50,000,000	(2,816,111)	47,183,889

UNAUDITED STATEMENTS OF CHANGES IN EQUITY

FOR THE EIGHT MONTHS ENDED 31 AUGUST 2008

	Paid-in capital *RMB*	Accumulated losses *RMB*	Total *RMB*
At 1 January 2008	20,000,000	(992,666)	19,007,334
Total comprehensive loss attributable to shareholders	–	(980,616)	(980,616)
At 31 August 2008	20,000,000	(1,973,282)	(18,026,718)

STATEMENTS OF CASH FLOW

FOR THE PERIOD FROM 27 OCTOBER 2006 (DATE OF INCORPORATION) TO 31 DECEMBER 2006, YEARS ENDED 31 DECEMBER 2007 AND 2008, AND FOR THE PERIOD FROM 1 JANUARY 2009 TO 31 AUGUST 2009

	Eight months ended		1/1/2008-	1/1/2007-	27/10/2006-
	31/8/2009	31/8/2008	31/12/2008	31/12/2007	31/12/2006
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
		(Unaudited)			
Operating activities					
Loss before tax	(442,419)	(980,616)	(1,381,026)	(990,160)	(2,506)
Adjustments for:					
Depreciation of property, plant and equipment	22,242	13,432	20,776	11,617	–
Interest income	(71,915)	(82,242)	(122,234)	(180,430)	(27,157)
Operating cash flows before movements in working capital	(492,092)	(1,049,426)	(1,482,484)	(1,158,973)	(29,663)
Increase in property under development	(84,815,923)	(23,379,122)	(48,284,020)	(138,965,977)	(36,300)
(Increase) decrease in other receivables	(44,316,508)	1,497,198	1,339,938	15,528,726	(20,000,000)
Increase in trade and other payables	9,190,529	648,369	6,614,361	34,240	2,350
Cash used in operations	(120,433,994)	(22,282,981)	(41,812,205)	(124,561,984)	(20,063,613)
Tax paid	–	–	–	–	–
Net cash used in operating activities	(120,433,994)	(22,282,981)	(41,812,205)	(124,561,984)	(20,063,613)
Investing activities					
Interest received	71,915	82,242	122,234	180,430	27,157
Purchase of property, plant and equipment	(244,534)	(17,400)	(20,500)	(85,420)	(10,810)
Net cash (used in) generated from investing activities	(172,619)	64,842	101,734	95,010	16,347
Financing activities					
New bank borrowing and trust receipt raised	270,000,000	–	–	–	–
Advance from shareholders	–	14,000,000	42,767,600	148,823,600	100,000
Repayment to shareholders	(162,919,521)	–	–	–	–
Interest paid to shareholders	(7,926,079)	–	(14,383,800)	(6,461,800)	–
Increase in capital	30,000,000	–	–	–	20,000,000
Net cash generated from financing activities	129,154,400	14,000,000	28,383,800	142,361,800	20,100,000
Net increase (decrease) in cash and cash equivalents	8,547,787	(8,218,139)	(13,326,671)	17,894,826	52,734
Cash and cash equivalents at beginning of period/year	4,620,889	17,947,560	17,947,560	52,734	–
Cash and cash equivalents at end of period/year	13,168,676	9,729,421	4,620,889	17,947,560	52,734
Analysis of cash and cash equivalents					
Cash and bank balances	13,168,676	9,729,421	4,620,889	17,947,560	52,734

II. NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 27 OCTOBER 2006 (DATE OF INCORPORATION) TO 31 DECEMBER 2006, YEARS ENDED 31 DECEMBER 2007 AND 2008, AND FOR THE PERIOD FROM 1 JANUARY 2009 TO 31 AUGUST 2009

1. GENERAL

Hubei Fu Cheng Real Estate Development Company Limited is a private limited company incorporated in the PRC. The principal activity are development and sale of real estate, and provision of real estate consultancy service. The address of the registered office and principal place of Fu Cheng is Pengchenghuiyuan, Block A, No. 110 of Jiedaokounancun, Luonan Street, Hongshan District, Wuhan City, Hubei Province, People's Republic of China.

The Financial Information is presented in Renminbi, which is the functional and presentation currency of Fu Cheng.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

Fu Cheng has not early applied the following new standards, amendments or interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are or have become effective.

HKFRSs (Amendments)	Improvement to HKFRS 5[2]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[3]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 39 (Amendments)	Eligible Hedged Items [1]
HK(IFRIC) – Int 9 and HKAS 39 (Amendments)	Embedded Derivatives [1]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[4]

1 Effective for accounting periods ending on or after 30 June 2009
2 Effective for accounting periods beginning on or after 1 July 2009
3 Effective for accounting periods beginning on or after 1 January 2010, unless otherwise specified
4 Effective from 1 July 2009

* Improvements to HKFRSs contain amendments to HKFRS 1, HKFRS 4, HKFRS 5, HKFRS 6, HKFRS 7, HKFRS 8, HKAS 2, HKAS 7, HKAS 8, HKAS 10, HKAS 12, HKAS 14, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 21, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 33, HKAS 34, HKAS 36, HKAS 37, HKAS 38, HKAS 39, HKAS 40 and HKAS 41, HK(IFRIC)-Int 2.

The directors of the Fu Cheng anticipate that the application of these new standard, amendment or interpretations will have no material impact on the results and the financial position of Fu Cheng.

Under HKAS 1 (Revised), the "Balance Sheet" is renamed as the "Statement of Financial Position" and the "Cash Flow Statement" is renamed as the Statement of Cash Flows". All income and expenses arising from transactions with non-owner (i.e., the non-owner movements of equity) are presented under the "Statement of Comprehensive Income". While the owner changes in equity are presented in the "Statement of Changes in Equity".

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the Hong Kong Companies Ordinance.

The preparation of Financial Information in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in Note 4 to the Financial Information.

Property, plant and equipment

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

Depreciation and amortisation are provided to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Computer, furniture and fixtures	20%

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 income statement in the year in which the item is derecognised.

Foreign currency

In preparing the financial statements of the Fu Cheng, transactions in currencies other than the functional currency of that Fu Cheng (the "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 Fu Cheng 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.

Impairment of tangible assets other than goodwill

At balance sheet date, Fu Cheng reviews the carrying amounts of its 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. Impairment losses are 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 periods. A reversal of an impairment loss is recognised as income immediately.

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 statements 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. Fu Cheng's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that is probable taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill (or negative 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 recognized for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where Fu Cheng 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 the 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 realized. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

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

Financial instruments

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

Financial assets

Fu Cheng's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments and available-for-sale financial assets. 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 on 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.

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 Fu Cheng 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 Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 Financial Instruments: Recognition and Measurement ("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.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. The Company designated unlisted equity securities as available-for-sales financial assets.

At 31 December 2006, 2007 and 2008 and 31 August 2009, subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy in respect of impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at 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 an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

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

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it is becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

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 with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When 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.

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

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

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. Fu Cheng'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.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL has two subcategories, including financial liabilities held for trading and those designated at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing 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 liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

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

At 31 December 2006, 2007 and 2008 and 31 August 2009 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.

Other financial liabilities

Other financial liabilities including trade and other payables, bank borrowings and obligations under finance leases are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by Fu Cheng and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and Fu Cheng 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. If Fu Cheng retains substantially all the risks and rewards of ownership of a transferred financial asset, Fu Cheng continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

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.

Property under development

Property under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

Development cost of property comprises construction costs, depreciation of machinery and equipment, amortisation of land use rights, professional fees incurred and interest capitalised during the development period. On completion, the properties 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.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of properties and services in the ordinary course of Fu Cheng's activities. Revenue is shown net of discount and after eliminating revenue made between the Company entities Fu Cheng.

Fu Cheng recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of Fu Cheng's activities as described below. The amount of revenue is not considered to be reliably measureable until all contingencies relating to the sale have been resolved. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of properties

Revenue from sales of properties is recognised when Fu Cheng has delivered the relevant properties to the purchaser and collectability of related receivable is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheets under current liabilities.

(b) Rental income

Rental income from properties letting under operating is recognised on a straight line basis over the lease terms.

(c) Property management income

Revenue arising from property management is recognised in the accounting period in which the services are rendered.

(d) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

4. FINANCIAL RISK MANAGEMENT AND CRITICAL ACCOUNTING ESTIMATES

Fu Cheng's activities exposes it a variety of financial risks: credit risk, foreign exchange risk, liquidity risk and cash flow and fair value interest-rate risk. Fu Cheng overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Fu Cheng's financial performances.

Credit risk

Fu Cheng is not exposed to significant credit risk.

Foreign exchange risk

Fu Cheng is not exposed to significant foreign exchange risk.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash for daily operation. Fu Cheng's exposure to liquidity risk is minimal.

Cash flow and fair value interest-rate risk

Fu Cheng is not exposed to significant fair value interest-rate risk.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Fu Cheng makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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.

Impairment of assets

Fu Cheng tests annually whether the assets have suffered any impairment. The recoverable amount of an asset or a cash generating unit is determining based on value-in-use calculations which require the use of assumptions and estimates.

Fair value estimation

The carrying amounts of Fu Cheng's financial assets and financial liabilities, including prepayment, other receivables and trade payables, approximate their fair values due to their short maturities. The face values less any credit adjustments for financial liabilities with a maturity of less than one year are assumed to approximate their fair values.

5. OTHER INCOME

	Eight months ended		1/1/2008-	1/1/2007-	27/10/2006-
	31/8/2009	**31/8/2008**	**31/12/2008**	**31/12/2007**	**31/12/2006**
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
		(Unaudited)			
Bank Interest income	71,915	82,242	122,234	180,430	27,157

6. FINANCE COSTS

	Eight months ended		1/1/2008-	1/1/2007-	27/10/2006-
	31/8/2009	**31/8/2008**	**31/12/2008**	**31/12/2007**	**31/12/2006**
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
		(Unaudited)			
Interest on:					
– Unsecured other loan	3,744,658	–	–	–	–
– Secured bank loan	2,432,219	–	–	–	–
– Amounts due to shareholders	7,926,079	–	14,383,800	6,461,800	–
Total interest	14,102,956	–	14,383,800	6,461,800	–
Less: Amounts capitalised	14,102,956	–	14,383,800	6,461,800	–
	–	–	–	–	–

7. LOSS BEFORE TAX

	Eight months ended 31/8/2009 RMB	Eight months ended 31/8/2008 RMB (Unaudited)	1/1/2008-31/12/2008 RMB	1/1/2007-31/12/2007 RMB	27/10/2006-31/12/2006 RMB
Loss before tax has been arrived at after charging:					
Directors' remuneration					
Fees	32,000	32,000	48,000	48,000	–
Other emoluments	–	–	–	–	–
Other staff costs	131,308	144,623	205,153	133,200	6,298
Total staff costs	163,308	176,623	253,153	181,200	6,298
Auditors' remuneration	–	–	–	–	–
Depreciation of property, plant and equipment	5,219	5,219	7,828	5,350	–

8. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made as Fu Cheng did not generate any income for the Relevant Periods in Hong Kong. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which Fu Cheng operates, based on existing legislation, interpretations and practices in respect thereof.

Reconciliation between tax expense for the period/year and loss before tax at applicable tax rates:

	Eight months ended 31/8/2009 RMB	Eight months ended 31/8/2008 RMB (Unaudited)	1/1/2008-31/12/2008 RMB	1/1/2007-31/12/2007 RMB	27/10/2006-31/12/2006 RMB
Loss before tax	(442,419)	(980,616)	(1,381,026)	(990,160)	(2,506)
Tax at domestic income tax rate of 25% (2006-2007: 33%)	(110,605)	(245,154)	(345,257)	(326,753)	(827)
Tax effect of income not taxable for tax purpose	(17,979)	(20,561)	(30,559)	(59,542)	(8,962)
Tax effect of tax losses not recognised	128,584	265,715	375,816	386,295	9,789
Tax expense for the period/year	–	–	–	–	–

9. PROPERTY, PLANT AND EQUIPMENT

	Computer, Furniture & Fixture
	RMB
COST	
At 27 October 2006	–
Additions	10,810
At 31 December 2006 and 1 January 2007	10,810
Additions	85,420
At 31 December 2007 and 1 January 2008	96,230
Additions	20,500
At 31 December 2008 and 1 January 2009	116,730
Additions	244,534
At 31 August 2009	361,264
DEPRECIATION	
At 27 October 2006	–
Charge for the period	–
At 31 December 2006 and 1 January 2007	–
Charge for the year	11,617
At 31 December 2007 and 1 January 2008	11,617
Charge for the year	20,776
At 31 December 2008 and 1 January 2009	32,393
Charge for the period	22,242
At 31 August 2009	54,635
NET BOOK VALUE	
At 31 August 2009	306,629
At 31 December 2008	84,337
At 31 December 2007	84,613
At 31 December 2006	10,810

10. PROPERTY UNDER DEVELOPMENT

	31/8/2009	31/12/2008	31/12/2007	31/12/2006
	RMB	*RMB*	*RMB*	*RMB*
At beginning of period/year	187,286,297	139,002,277	36,300	–
Additions	84,815,923	48,284,020	138,965,977	36,300
At end of period/year	272,102,220	187,286,297	139,002,277	36,300
Properties under development comprises:				
Land use rights	159,476,514	158,619,923	130,633,359	30,000
Construction costs and capitalised expenditure	77,677,150	7,820,774	1,907,118	6,300
Interest capitalised	34,948,556	20,845,600	6,461,800	–
	272,102,220	187,286,297	139,002,277	36,300

11. OTHER RECEIVABLES, PREPAYMENTS, TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

The directors of Fu Cheng consider that fair values of the Fu Cheng's other receivables, prepayments, trade payables, accruals and other payables at 31 December 2006, 31 December 2007, 31 December 2008 and 31 August 2009 were approximate to their corresponding carrying amounts.

12. AMOUNTS DUE TO SHAREHOLDERS

The amounts are unsecured and repayable on demand.

The directors of Fu Cheng consider that the fair values of the balances with shareholders and related parties approximate to their corresponding carrying amounts.

13. BORROWINGS

	31/8/2009	31/12/2008	31/12/2007	31/12/2006
	RMB	*RMB*	*RMB*	*RMB*
Borrowings included in non-current liabilities:				
– Secured bank loan	100,000,000	–	–	–
Borrowings included in current liabilities:				
– Unsecured other loan	170,000,000	–	–	–
Total	270,000,000	–	–	

At the 31 August 2009, the Fu Cheng has pledged the land use right with carrying value of RMB160 million to secure the RMB200 million banking facilities.

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

14. PAID-IN CAPITAL

	31/8/2009	31/12/2008	31/12/2007	31/12/2006
	RMB	*RMB*	*RMB*	*RMB*
Registered an Paid-in capital	50,000,000	20,000,000	20,000,000	20,000,000

15. COMMITMENTS

(a) Operating leases commitments

At the balance sheet date, Fu Cheng had commitments for future minimum lease payments under non-cancellable operating leases in respect of premises which fall due as follows:

	31/8/2009	31/12/2008	31/12/2007	31/12/2006
	RMB	*RMB*	*RMB*	*RMB*
Within one year	56,160	84,240	84,240	–
In the second to fifth years inclusive	–	112,320	196,560	–
	56,160	196,560	280,800	–

(b) Commitments for property development expenditures

	31/8/2009	31/12/2008	31/12/2007	31/12/2006
	RMB	*RMB*	*RMB*	*RMB*
Capital commitments in respect of future property development expenditures	71,143,349	94,889,714	13,724,286	18,274

16. CONTINGENT LIABILITIES

Fu Cheng did not have any significant contingent liabilities at 31 December 2006, 31 December 2007, 31 December 2008 and 31 August 2009 respectively.

17. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these Financial Information, there was no other material related party transactions incurred for the years ended 31 December 2006, 2007 and 2008 and eight months ended 31 August 2009. There is no compensation paid to any key management personnel of Fu Cheng during the Relevant Period.

18. LOSS PER SHARE

Loss per share has not been presented as such information is not considered meaningful having regard to the purpose of this report.

19. SUBSEQUENT EVENTS

No significant subsequent event took place subsequent to 31 August 2009.

20. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for Fu Cheng in respect of any period subsequent to 31 August 2009.

21. MANAGEMENT DISCUSSION AND ANALYSIS

(i) For the period from 1 January 2009 to 31 August 2009

Loss for the period of RMB442,419 represented the principally administrative expenses in connection with the development and supervision of Property project. No turnover was recorded and the Property construction was undergoing. The capitalization of borrowing costs increased due to the requisition of bank loans during the period.

As at 31 August 2009, Fu Cheng had net current assets of RMB146,877,260. Fu Cheng was mainly financed by the internal financial resources and bank loans.

As at 31 August 2009, (i) Fu Cheng had no significant exposure to fluctuations in exchange rates and any related hedges; (ii) Fu Cheng had charges on its land use rights; (iii) Fu Cheng did not have any material contingent liabilities; and (iv) Fu Cheng did not have any significant investment plans other than Property project.

As at 31 August 2009, Fu Cheng's bank loans of RMB270,000,000 when relate to Fu Cheng's total assets of RMB333,025,369, represent a gearing ratio of 81%.

During the period, Fu Cheng did not make any material acquisitions, disposals and investment.

As at 31 August 2009, the total number of employees of the Fu Cheng was about 8. Employees' cost (including directors' emoluments) amounted to RMB163,308 for the period.

(ii) For the period from 1 January 2008 to 31 December 2008

Loss for the period of RMB1,381,026 represented the principally administrative expenses in connection with the development and supervision of Property project. No turnover was recorded and the relocation process to clear up the Property for the construction was completed. The capitalization of borrowing costs increased due to the requisition of shareholders loans during the period.

As at 31 December 2008, Fu Cheng had net current assets of RMB17,541,971. Fu Cheng was mainly financed by the internal financial resources and shareholders loans.

As at 31 December 2008, (i) Fu Cheng had no significant exposure to fluctuations in exchange rates and any related hedges; (ii) Fu Cheng had no charges on its assets; (iii) Fu Cheng did not have any material contingent liabilities; and (iv) Fu Cheng did not have any significant investment plans other than Property project.

As at 31 December 2008, Fu Cheng's shareholders loans of RMB170,845,600 when relate to Fu Cheng's total assets of RMB195,122,859, represent a gearing ratio of 88%.

During the year, Fu Cheng did not make any material acquisitions, disposals and investment.

As at 31 December 2008, the total number of employees of the Fu Cheng was about 8. Employees' cost (including directors' emoluments) amounted to RMB253,153 for the year.

(iii) For the period from 1 January 2007 to 31 December 2007

Loss for the period of RMB990,160 represented the principally administrative expenses in connection with the development and supervision of Property project. No turnover was recorded and the relocation process to clear up the Property for the construction was still undergoing. The capitalization of borrowing costs increased due to the requisition of shareholders loans during the period.

As at 31 December 2007, Fu Cheng had net current assets of RMB18,922,721. Fu Cheng was mainly financed by the internal financial resources and shareholders loans.

As at 31 December 2007, (i) Fu Cheng had no significant exposure to fluctuations in exchange rates and any related hedges; (ii) Fu Cheng had no charges on its assets; (iii) Fu Cheng did not have any material contingent liabilities; and (iv) Fu Cheng did not have any significant investment plans other than Property project.

As at 31 December 2007, Fu Cheng's shareholders loans of RMB142,461,800 when relate to Fu Cheng's total assets of RMB161,505,724, represent a gearing ratio of 88%.

During the year, Fu Cheng did not make any material acquisitions, disposals and investment.

As at 31 December 2007, the total number of employees of the Fu Cheng was about 8. Employees' cost (including directors' emoluments) amounted to RMB181,200 for the year.

(iv) For the period from 27 October 2006 (Date of incorporation) to 31 December 2006

During the period, Fu Cheng reported loss for the period of RMB2,506 represented the preliminary and administrative expenses in connection with the investment in a property project in Wuhan.

As at 31 December 2006, Fu Cheng had net current assets of RMB19,986,684 and was mainly financed by its internal financial resources.

As at 31 December 2006, (i) Fu Cheng had no significant exposure to fluctuations in exchange rates and any related hedges; (ii) Fu Cheng had no charges on its assets; (iii) Fu Cheng did not have any significant investment plans other than the Property project.

Save as disclosed, Fu Cheng did not made any material acquisitions, disposals and investment.

As Fu Cheng had no bank borrowings, no gearing ratio is presented for 2006.

During the period, Fu Cheng did not have any material contingent liabilities.

As at 31 December 2006, the total number of employees of Fu Cheng was about 6. Employees' cost (including directors' emoluments) amounted to RMB6,298 for the period.

22. LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December, 2006, 2007, 2008 and 31 August, 2009, the net assets value of Fu Cheng was RMB19,997,494, RMB19,007,334, RMB17,626,308 and RMB47,183,889, respectively. The change in net assets value is mainly due to the increase of property under development.

As at 31 August, 2009, Fu Cheng had bank borrowings of RMB270,000,000. Fu Cheng also had cash and bank balances of RMB13,168,676 as at 31 August, 2009.

For the years ended 31 December, 2006, 2007, 2008 and the eight months ended 31 August, 2009, Fu Cheng used net cash in operating activities of RMB20,063,613, RMB124,561,984, RMB41,812,205 and RMB120,433,994, respectively.

Fu Cheng mainly finances its operations with funding from its shareholders and bank borrowings. Since most of the assets and liabilities of Fu Cheng are denominated in Renminbi, there is no significant exposure to foreign currency fluctuation currently.

Yours faithfully,
HLM & Co.
Certified Public Accountants

Hong Kong, 30 November 2009

ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the auditors of the Company, HLM & Co.

1. INTRODUCTION

The following is the unaudited pro forma financial information of the Enlarged Group prepared in accordance with the Rules 4.29 of the Listing Rules for the purpose of illustrating the effect of the proposed acquisition of the Wealth Full and Fu Cheng ("Target Group") on the financial position of the Group as if the Acquisition had been completed on 31 December 2008 and the results and cash flows of the Group as if the Acquisition had been completed on 1 January 2008. As it is prepared for illustrative purpose only, and because of its nature, it may not give a true picture of the financial position, results and cash flows of the Enlarged Group following completion of the Acquisition.

The unaudited pro forma consolidated balance sheet of the Enlarged Group is prepared based on the audited consolidated balance sheet of the Group as at 31 December 2008 extracted from the published annual report of the Group as of 31 December 2008 as set out in Appendix I to this circular and the audited balance sheet of the Target Group as at 31 August 2009 extracted from the accountant's report on Target Group as set out in Appendix II to this circular as if the Acquisition had been completed on 31 December 2008.

The unaudited pro forma consolidated income statement and the unaudited pro forma consolidated cash flow statement of the Group for the year ended 31 December 2008 extracted from the published annual report of the Group as of 31 December 2008 as set out in Appendix I to this circular and the unaudited income statement and cash flow statement of the Target Group for the period from 1 January 2009 to 31 August 2009 extracted from the accountants' report on Target Group as set out in Appendix II to this circular as if the Acquisition has been completed on 1 January 2008.

The unaudited pro forma financial information of the Enlarged Group is based upon the published audited financial information of the Group and the audited financial information of the Target Group after giving effect to the pro forma adjustments described in note below. These pro forma adjustments of the Acquisition are (i) directly attributable to the transactions concerned and not relating to future events or decisions; and (ii) factually supportable.

The unaudited pro forma financial information of the Enlarged Group should be read in conjunction with the published annual report of the Group and the accountants' report on Target Group and other financial information included elsewhere in the circular.

2. UNAUDITED PRO FORMA BALANCE SHEET OF THE ENLARGED GROUP

	The Group as at 31 December 2008	Wealth Full as at 31 August 2009	Fu Cheng as at 31 August 2009	Sub-total	Pro forma adjustments	Notes	Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
ASSETS AND LIABILITIES							
Non-current assets							
Prepaid lease payments	3,079	–	–	3,079			3,079
Property, plant and equipment	195,856	–	348	196,204			196,204
Biological assets	27,844	–	–	27,844			27,844
Intangible assets	1,014	–	–	1,014			1,014
Goodwill	73,480	–	–	73,480	150,027	*(a)*	223,507
Deferred tax assets	660	–	–	660			660
	301,933	–	348	302,281			452,308
Current assets							
Properties under development	–	–	309,207	309,207	32,838	*(a)*	342,045
Inventories	43,395	–	–	43,395			43,395
Trade and other receivables	162,763	–	53,918	216,681			216,681
Tax recoverable	2,010	–	–	2,010			2,010
Derivative financial instruments	6,864	–	–	6,864			6,864
Pledged bank deposits	15,294	–	–	15,294			15,294
Bank balances and cash	21,189	–	14,964	36,153	(68,182)	*(a)*	(32,029)
	251,515	–	378,089	629,604			594,260
Current liabilities							
Trade and other payables	44,929	–	18,002	62,931	1,000	*(a)*	63,931
Obligations under a finance lease	3,999	–	–	3,999			3,999
Derivative financial instruments	1,831	–	–	1,831			1,831
Tax payable	302	–	–	302			302
Amounts due to immediate holding company	–	–	–	–	53,973	*(b)*	
		–			(53,973)	*(a) & (b)*	–
Amounts due to minority shareholders	5,652	–	–	5,652			5,652
Amounts due to a shareholder	15,000	–	–	15,000			15,000
Borrowings	98,781	–	193,182	291,963			291,963
	170,494	–	211,184	381,678			382,678
Net current assets	81,021	–	166,905	247,926			211,582
Total assets less current liabilities	382,954	–	167,253	550,207			663,890

	The Group as at 31 December 2008	Wealth Full as at 31 August 2009	Fu Cheng as at 31 August 2009	Sub-total	Pro forma adjustments		Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Non-current liabilities							
Obligations under a finance lease	996	–	–	996			996
Borrowings	17,845	–	113,636	131,481			131,481
Convertible note	262,156	–	–	262,156			262,156
Deferred tax liabilities	–	–	–	–	8,210	*(a)*	8,210
	280,997	–	113,636	394,633			402,843
Net assets	101,957	–	53,617	155,574			261,047
EQUITY							
Equity attributable to equity holders of the Company							
Share capital	6,919	–	53,973	60,892	12,439	*(a)*	19,358
					(53,973)	*(b)*	
Reserves	55,999	–	(356)	55,643	146,651	*(a)*	
					356	*(a) & (b)*	
							202,650
	62,918	–	53,617	116,535			222,008
Minority interest	39,039	–	–	39,039			39,039
Total equity	101,957	–	53,617	155,574			261,047

3. UNAUDITED PRO FORMA INCOME STATEMENT OF THE ENLARGED GROUP

	The Group for the year ended 31 December 2008	Wealth Full for the period ended 31 August 2009	Fu Cheng for the period ended 31 August 2009	Sub-total	Pro forma adjustments	Notes	Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Turnover	239,632	–	–	239,632			239,632
Costs of sales	(196,163)	–	–	(196,163)			(196,163)
Gross profit	43,469	–	–	43,469			43,469
Gain arising from initial recognition of biological assets at fair value less estimated point-of-sales costs	10,308	–	–	10,308			10,308
Other operating income and net gain	8,908	–	82	8,990			8,990
Selling and distribution expenses	(29,527)	–	–	(29,527)			(29,527)
Administrative expenses	(78,935)	–	(585)	(79,520)			(79,520)
Finance costs	(37,300)	–	–	(37,300)			(37,300)
Operating loss before impairment charges	(83,077)	–	(503)	(83,580)			(83,580)
Impairment on goodwill	(108,859)	–	–	(108,859)			(108,859)
Impairment on trade receivables	(41,538)	–	–	(41,538)			(41,538)
Write-off of inventories	(34,607)	–	–	(34,607)			(34,607)
Changes in fair value less estimated point-of-sales costs of biological assets	(59,542)	–	–	(59,542)			(59,542)
Loss before tax	(327,623)	–	(503)	(328,126)			(328,126)
Income tax credit	1,342	–	–	1,342			1,342
Loss for the year/period	(326,281)	–	(503)	(326,784)			(326,784)
Attributable to:							
Equity holders of the Company	(293,583)	–	(503)	(294,086)			(294,086)
Minority interest	(32,698)	–	–	(32,698)			(32,698)
	(326,281)	–	(503)	(326,784)			(326,784)
Loss per share (cents)							
– Basic	(42.43)						(42.50)

4. UNAUDITED PRO FORMA CASH FLOW STATEMENT OF THE ENLARGED GROUP

	The Group as at 31 December 2008	Wealth Full as at 31 August 2009	Fu Cheng as at 31 August 2009	Sub-total	Pro forma adjustments	Notes	Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Cash flows from operating activities							
Loss before tax	(327,623)	–	(503)	(328,126)			(328,126)
Adjustments for:							
Interest expenses	37,300	–	–	37,300			37,300
Interest income	(1,312)	–	(82)	(1,394)			(1,394)
Depreciation	16,231	–	25	16,256			16,256
Amortisation of prepaid lease payments	196	–	–	196			196
Gain on disposal on property, plant and equipment	(35)	–	–	(35)			(35)
Share-based option expenses	4,930	–	–	4,930			4,930
Gain arising from initial recognition of biological assets at fair value less estimated point-of-sales costs	(10,308)	–	–	(10,308)			(10,308)
Changes in fair value less estimated point-of-sales costs of biological assets	59,542	–	–	59,542			59,542
Write-off of inventories	34,607	–	–	34,607			34,607
Impairment on goodwill	108,859	–	–	108,859			108,859
Impairment on trade receivables	41,538	–	–	41,538			41,538
Net change in fair value of derivative financial instruments	(5,033)	–	–	(5,033)			(5,033)
Operating cash flows before movements in working capital	(41,108)	–	(560)	(41,668)			(41,668)
Increase in inventories	(12,214)	–	–	(12,214)			(12,214)
Increase in properties under development	–	–	(96,382)	(96,382)			(96,382)
Decrease (increase) in trade and other receivables	17,149	–	(50,360)	(33,211)			(33,211)
Decrease in trade and other payables	(17,187)	–	10,444	(6,743)			(6,743)

	The Group as at 31 December 2008	Wealth Full as at 31 August 2009	Fu Cheng as at 31 August 2009	Sub-total	Pro forma adjustments	Notes	Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Cash used in operations	(53,360)	–	(136,858)	(190,218)			(190,218)
Interest paid	(19,978)	–	–	(19,978)			(19,978)
Hong Kong Profits Tax paid, net	(1,687)	–	–	(1,687)			(1,687)
PRC Enterprise Income Tax paid	(5,613)	–	–	(5,613)			(5,613)
Net cash used in operating activities	(80,638)	–	(136,858)	(217,496)			(217,496)
Cash flows from investing activities							
Decrease in pledged bank deposits	19,622	–	–	19,622			19,622
Acquisition of additional interest in a subsidiary	(2,174)	–	–	(2,174)			(2,174)
Purchase of property, plant and equipment	(12,444)	–	(278)	(12,722)			(12,722)
Decrease in deposits paid for acquisition of property, plant and equipment	5,519	–	–	5,519			5,519
Acquisition of subsidiaries, net of cash and cash equivalent acquired	(5,211)	–	–	(5,211)	(62,930)	*(c)*	(68,141)
Increase in tangible assets	(458)	–	–	(458)			(458)
Interest received	1,312	–	82	1,394			1,394
Proceeds from disposal of property, plant and equipment	492	–	–	492			492
Net cash generated from (used in) investing activities	6,658	–	(196)	6,462			(56,468)
Cash flows from financing activities							
Borrowings raised	219,439	–	306,818	526,257			526,257
Repayment to shareholders	–	–	(185,136)	(185,136)			(185,136)
Interests paid to shareholders	–	–	(9,007)	(9,007)			(9,007)
Repayment of bank borrowings	(246,255)	–	–	(246,255)			(246,255)
Capital element of finance leases	(8,501)	–	–	(8,501)			(8,501)
Advances from a shareholder	3,374	–	–	3,374			3,374
Advances from minority shareholders	159	–	–	159			159
Capital contribution in a subsidiary	–	–	34,091	34,091			34,091

	The Group as at 31 December 2008	Wealth Full as at 31 August 2009	Fu Cheng as at 31 August 2009	Sub-total	Pro forma adjustments	Notes	Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Net cash (used in) generated from financing activities	(31,784)	–	146,766	114,982			114,982
Net (decrease) increase in cash and cash equivalents	(105,764)	–	9,712	(96,052)			(158,982)
Effect of foreign exchange rate change	2,600	–	–	2,600			2,600
Cash and cash equivalents at beginning of year/period	123,369	–	5,252	128,621	(5,252)	*(c)*	123,369
Cash and cash equivalents at end of year/period	20,205	–	14,964	35,169			(33,013)
ANALYSIS OF CASH AND CASH EQUIVALENTS							
Bank balances and cash	21,189	–	14,964	36,153	(68,182)	*(a) & (c)*	(32,029)
Pledged bank deposits	11,294	–		11,294			11,294
Bank overdrafts	(12,278)	–	–	(12,278)			(12,278)
	20,205	–	14,964	35,169			(33,013)

5. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(a) On 19 October 2009, the Company entered into an agreement with the Vendor to acquire the Sale Share and Sale Loan at a consideration of RMB200,000,000 (equivalent to approximately HK$227,272,727) which will be satisfied by:

(i) Cash payment of RMB60,000,000 (equivalent to approximately HK$68,181,818);

(ii) the issue of First Tranche 846,228,234 consideration shares of HK$0.141 each by the Company amounted to RMB105,000,000 (equivalent to approximately HK$119,318,182); and

(iii) either cash payment of RMB35,000,000 (equivalent to approximately HK$39,772,727) or the issue of Second Tranche 397,727,270 consideration shares of HK$0.1 each by the Company subject to the discretion of the Company on the date falling five months after the Completion.

The adjustment represents the effect of the Acquisition on the consolidated balance sheet of the Group as if the Acquisition had been taken place on 31 December 2008. The carrying value of the Property is adjusted by HK$32.8 million based on the valuation performed by CB Richard Ellis, an independent firm of professional valuers, on 31 October 2009. The goodwill of HK$150 million represents the excess of the Consideration of the Acquisition, including the professional fees and other transaction costs of approximately HK$1 million, over the fair value of the attributable share identifiable assets, liabilities of the Target Group acquired, net of the Sale Loan of HK$54 million. Deferred tax liabilities of HK$8.2 million are provided as a result of the value appreciation of the Property.

The final amount of goodwill will be determined based on the final consideration paid by the Group and the Group's interest in the fair value of the identifiable assets and liabilities of Target Group on the date of completion in accordance with Hong Kong Financial Reporting Standard 3 "Business Combinations" issued by Hong Kong Institute of Certified Public Accountants. The Group will apply the purchase method to account for the Acquisition in the consolidated financial statements of the Group.

The bank balance shows an negative figure after the pro forma adjustments. However, the Group has obtained sufficient cash inflow from two Open Offers before this major transaction.

The first Open Offer completed on 1 April 2009 and the Company issued 345,968,750 new shares of HK$0.01 each to qualifying shareholders at the subscription price of HK$0.08 each in satisfaction of the sum of HK$27.7 million in which represented net cash proceeds in the amount of HK$15.9 million, net of issuance costs of HK$1.3 million and waiver of current account with China Water of HK$10.5 million.

The second Open Offer completed on 15 October 2009 and the Company issued 5,777,031,245 new shares of HK$0.01 each to qualifying shareholders at the subscription price of HK$0.05 each in satisfaction of the sum of HK$280 million, net of issuance costs of HK$9 million.

(b) The adjustments represent the elimination of share capital, pre-acquisition reserves and Sale Loan of Target Group as if the Reorganisation had been completion on 31 December 2008.

(c) The adjustment represents the net cash inflow of cash and cash equivalent arising from the Acquisition which was assumed to be acquired by the Group as at 1 January 2008.

(d) The unaudited pro forma financial information has been prepared in accordance with the accounting policies of the Group, as set out in the published annual report of the Group as of 31 December 2008 and extracted in Appendix I to this circular, prepared under Hong Kong Financial Reporting Standards.

(e) As at 31 August 2009, Wealth Full has other receivable of HK$8 and share capital of HK$8. During the period ended 31 August 2009, Wealth Full has no operations.

The following is the text of a letter with the valuation certificate received from CB Richard Ellis Limited, prepared for the purpose of incorporation in this Circular, in connection with their valuation as at 19 October 2009 of the property interests of the Target Company.

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地產代理（公司）牌照號碼
Estate Agent's Licence No: C-004065

30 November 2009

The Board of Directors
China Water Property Group Limited
Unit 1816-1817,
18/F, Sun Hung Kai Centre,
Harbour Road,
Wanchai,
Hong Kong

Dear Sirs,

In accordance with the instructions from China Water Property Group Limited (the "Company") for us to value the property interests held by the Target Company in the People's Republic of China ("the PRC"), we confirm that we have carried out an inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of such property interests as at 19 October 2009 (the "date of valuation").

Our valuation is our opinion of Market Value which is defined to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Unless otherwise stated, our valuation is prepared in accordance with the "First Edition of The HKIS Valuation Standards on Properties" published by The Hong Kong Institute of Surveyors (the "HKIS"). We have also complied with all requirements contained in Paragraph 34(2), (3) of Schedule 3 of the Companies Ordinance (Cap. 32) and Chapter 5, Practice Note 12 and Practice Note 16 of the Rule Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules").

For the purpose of area measurement in our valuation, Saleable Gross Floor Areas ("Saleable GFA") refer to the internal floor areas and common areas exclusively allocated to that unit including balconies and other similar features of comprising common areas such as staircases, lift lobbies. Non-saleable Gross Floor Areas ("Non-saleable GFAs") refer to the floor areas of certain public ancillary facilities, including, among others, schools, electric sub-station houses and connecting corridors between apartment buildings. The Gross Floor Areas ("GFAs") of a project or a phase of a project include both Saleable GFAs and Non-saleable GFAs.

Our valuation has been made on the assumption that the owner sells the properties on the open market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the values of the property interests.

Under otherwise stated, all the property interests are valued by the comparison method on the assumption that each property can be sold with the benefit of vacant possession. Comparison is based on prices realized on actual transactions or asking price of comparable properties. Comparable properties with similar sizes, character and locations are analyzed, and carefully weighted against all respective advantages and disadvantages of each property in order to arrive at a fair comparison of value.

The property held by the Group for development in the PRC, we have valued the property interests on the basis that the property will be developed and completed in accordance with the Group's latest development schemes provided to us. We have assumed that approvals for the proposals have been obtained. In arriving at our opinion of value, we have adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into consideration the development costs already spent and to be spent which are provided by the Group, to reflect the quality of the completed development. The "capital value of the property as if the property is completed at the date of valuation" represents our opinion of the aggregate selling prices of the development assuming that it would have completed at the date of valuation.

In our valuation, the properties for development are those in which the Construction Works Completion Certified Reports have not been issued while the State-owned Land Use Rights Certificates have been obtained.

In the course of our valuation for the property interests in the PRC, we have relied on the legal opinion provided by the Group's PRC legal advisor, Zhong Tian PRC Lawyer (the "PRC Legal Opinion"). We have been provided with extracts from title documents relating to such property interests. We have not, however, searched the original documents to verify ownership or existence of any amendment which does not appear on the copies handed to us. All documents have been used for reference only.

Under the current planning approval systems in China, valuers are not able to undertake any planning approval verification freely and swiftly. We have relied to a considerable extent on information given by the Group, in particular, but not limited to, the sales records, planning approvals, statutory notices, easements, tenancies and floor areas (including Gross Floor Areas, Saleable Gross Floor

Areas and Non-saleable Gross Floor Areas). No on-site measurement has been taken. Dimensions, measurements and areas included in the valuation certificates are only approximations. We have taken every reasonable care both during inspecting the information provided to us and in making relevant enquiries. We have no reason to doubt the truth and accuracy of the information provided to us by the Company, which is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information provided to us.

We have inspected the properties to such extent as for the purpose of this valuation. In the course of our inspection, we did not notice any serious defects. However, we have not carried out any structural survey nor any tests were made on the building services. Therefore, we are not able to report whether the properties are free of rot, infestation or any other structural defects. We have not carried out investigations on the site to determine the suitability of the ground conditions and the services etc. for any future development. Our valuation does not make any allowance for contamination or pollution of the land, if any, which may have occurred as a result of past usage.

We would draw your attention to the fact that the current volatility in the global financial system has created a significant degree of turbulence in commercial real estate markets across the world. Furthermore, the lack of liquidity in the capital markets means that it may be very difficult to achieve a successful sale of property assets in the short-term. We would therefore recommend that the situation and the valuation are kept under regular review, and that specific marketing advice is obtained should you wish to effect a disposal.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoing of an onerous nature which could affect their values.

Unless otherwise stated, all monetary amounts are stated in Renminbi (“RMB”).

We enclose herewith our valuation certificate.

Yours faithfully,
For and on behalf of
CB Richard Ellis Limited

Leo MY Lo
MHKIS MRICS
Director
Valuation & Advisory Services

Note:

Mr. Leo MY Lo is a member of Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors. He has over 6 years’ valuation experience in the PRC and Hong Kong.

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at 19 October 2009 *(RMB)*
Future City, Situated on No.147, Luo Shi Road South, Hongshan District, Wuhan City, Hubei Province, the PRC	The property comprises a total site area of approximately 19,190.77 sq.m. As advised by the Company, the property will be developed into a comprehensive development with a total gross floor area of approximately 147,315.50 sq.m. comprising various apartment, office units, residential units and retail units. The detail is as below:	The property is under development.	301,000,000

Portion	Gross Floor Area *sq.m.*
Apartment Office	44,794.00
Residential	43,821.00
Retail	18,509.00
Basement	38,939.00
Other	1,252.50
Total	147,315.50

The property will be completed in 2010 to 2011.

The site of the property is held for two land use terms of 70 years for residential use and 40 years for commercial use, that commencing from April 25, 2008.

Notes:

a) Pursuant to the State-owned Land Use Rights Transfer Contract (WCG-2008-018) dated in 25 April 2008, the land use rights of portions of the Property with a total site area of approximately 14,920.97 sq.m. have been agreed to be transferred to the Target Company.

b) Pursuant to the Land Transaction and Building Relocation and compensation agreement entered into between the Target Company and Wuhan Hongshan District Physical and Culture Bureau dated in 6 August 2007, the Target Company has been contracted to acquire the land use rights of portions of the Property with a total site area of approximately 4,269.80 sq.m..

c) Pursuant to two State-owned Land Use Rights Certificate provided by the Target Company, the land use rights of the site has been granted to the Target Company.

State-owned Land Use Rights Certificate Number	**Date of Certificate**	**Site Area** *(sq.m.)*	**Term/Date of Expiry**
Wu Guo Yong 2008 No.893	December 31, 2008	4,269.8	Commercial: April 24, 2048
Wu Guo Yong 2008 No.344	May 22, 2008	14,920.97	Residential: April 24, 2048 Commercial: April 24, 2078
	Total site area:	19,190.77	

d) According to the proposed development plan provided by the Company, the capital value of the property as if completed as of 19 October 2009 is RMB950,000,000.

e) As advised by the Company, the property will be developed with a total gross floor area of approximately 147,315.50 sq.m., the portion of a total gross floor area of approximately 139,393.43 sq.m. has been obtained the Construction Works Commencement Permit, the remaining portion had not yet been obtained the Construction Works Commencement Permit.

f) As advised by the Company, the existing stage of development as of 19 October 2009 is about 33% out of the total construction planned period. The estimated construction cost of carrying out the development is approximately RMB 389,188,000, up to the valuation date the amount of construction cost incurred is approximately RMB 123,315,000.

g) According to the accountant's report of the Target Group, the Target Company has pledged the land use right with carrying value of RMB 160,000,000 to secure the RMB 200,000,000 banking facilities at the date of 31 August 2009.

h) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisors, which contains, inter alia, the following information:

   i) The Target Company has paid the land premium in respect of the site in full and pursuant to various State-owned Land Use Right Certificates, the Target Company has acquired the land use rights to the site. During the terms of the land use rights, the Target Company is entitled to occupy, use, lease, transfer or otherwise dispose of the site (save and expect those parts which have been mortgaged).

   ii) According to the Real Estate Loan Contract (2009) Nian Han Yang Fang Zi (001) and Mortgage Contract issued between the Target Company and Industrial Commercial Bank of China Wuhan Hanyang Branch, the land portions of the property are mortgaged to Industrial Commercial Bank of China Wuhan Hanyang Branch. The building portions of the Property however have not been mortgaged. The Target Company is entitled to transferred, sale and occupied.

iii) The Target Company has obtained from the PRC Government all requisite approvals in respect of the construction of the property.

iv) As the Target Company has paid the land premium in respect of the site of the Property in full and acquired the State-owned Land Use Rights Certificates, Construction Land Use Planning Permit, Construction Works Planning Permit, according to the Commercial House Sale Management Method and City Commercial House Presale Management Method (2004 Revised), the Target Company can apply Presale Permit and obtain the Commercial House Presale Permit provided that the capital invested has accounted more than 25% of the total investment of the project, and the construction schedule, completion and transaction date have been confirmed.

i) A summary of major certificates/approvals is shown as follows:

i)	State-owned Land Use Rights Grant Contract	Yes
ii)	State-owned Land Use Rights Certificate	Yes
iii)	Construction Land Use Planning Permit	Yes
iv)	Construction Works Planning Permit	Yes
v)	Construction Works Commencement Permit	Yes
vi)	Pre-sale Permit	No
vii)	Construction Works Completion Certified Report	No

(1) RESPONSIBILITY STATEMENT

This document includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

(2) DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

Shares:

Name of Director	Nature of interest	Total	Approximate percentage or attributable percentage of shareholdings
			(%)
Mr. But Ka Wai *(Note)*	Interest of controlled corporation	50,000,000 (L)	0.69

(L) Long position

Note: These Shares are held by Able Success Group Limited ("Able Success"), the entire issued share capital of which is beneficially owned by Mr. But Ka Wai.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following person (not being Directors or chief executive of the Company) had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company (including any interests in options in respect of such capital) which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Substantial shareholders of the Company:

Name of Shareholders	Nature of interest	Total	Approximate percentage or attributable percentage of shareholdings *(%)*
China Water Affairs Group Limited *(Note)*	Interest of controlled corporation	995,286,172 (L)	13.73
	Beneficial owner	989,420,000 (L)	13.64

(L) Long position

Note: These Shares are held by Sharp Profit Investment 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 held by Sharp Profit Investments Limited for the purpose of the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interest or short positions in the shares or underlying shares of the Company (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

(3) DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

(4) COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors (as defined in the Listing Rules) or their respective associates has any interest in a business which competes or may compete with the business of the Group or have or may have any conflicts of interests with the Group.

(5) LITIGATION

As at the Latest Practicable Date, so far as the Directors are aware, no member of the Enlarged Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Enlarged Group.

(6) MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Group or the Enlarged Group within the two years immediately preceding the Latest Practicable Date and which is or may be material:

1. the Agreement;

2. the sale and purchase agreement dated 18 August 2008 entered into between Hui Ching Yu as vendor and 深圳高原聖果生物科技有限公司 (Shenzhen Conseco Seabuckthorn Biotechnology Company Limited#), a wholly-owned subsidiary of the Company, as purchaser in relation to the acquisition of the entire equity interest of 廣東康力醫藥有限公司 (Guangdong Kangli Pharmaceutical Company Limited#) at a consideration of RMB$23,600,000;

3. the joint venture agreement dated 11 January 2008 entered into between 高原聖果沙棘制品有限公司 (Conseco Seabuckthorn Company Limited#), a non-wholly-owned subsidiary of the Company, Wah Yuen Health Products Company Limited, a wholly-owned subsidiary of the Company, and Wah Yuen Foods Company Limited, another wholly-owned subsidiary of the Company, in relation to the formation of 深圳高原聖果生物科技有限公司 (Shenzhen Conseco Seabuckthorn Company Limited#) in Shenzhen, the PRC with a total investment of RMB80,000,000;

4. (i) the framework agreement dated 13 November 2007 made between 上海華源藍科健康產品股份有限公司 (Shanghai Worldbest Lanke Health Products Co. Ltd.#) and the Company; and (ii) the share acquisition agreement dated 18 December 2007 made between上海華源藍科健康產品股份有限公司 (Shanghai Worldbest Lanke Health Products Co. Ltd.#) as vendor and 華園健康產品有限公司 (Wah Yuen Health Products Limited#), a wholly-owned subsidiary of the Company, as purchaser, in relation to the acquisition of the entire issued share capital of 上海華源藍科生物制品營銷有限公司 (Shanghai Worldbest Lanke Biological Product Sales Co. Ltd.#) at a consideration of RMB5,210,000; and

5. the sale and purchase agreement dated 6 December 2007 entered into between 江海世紀投資管理(北京)有限公司 (Jiang Hai Century Investment Management (Beijing) Co., Ltd.#) as vendor and Top Harbour Development Limited, a wholly-owned subsidiary of the Company, as purchaser in relation to the acquisition of 10% equity interest in Conseco Seabuckthorn Co., Ltd. at a consideration of HK$40,000,000.

(7) EXPERT AND CONSENT

The following are the qualification of the experts who have given opinions or advice which are contained in this circular:

Name	Qualifications
CB Richard Ellis	Professional valuer
HLM & Co.	Certified Public Accountants

Each of CB Richard Ellis and HLM & Co. has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or references to its name in the form and context in which it appears as at the Latest Practicable Date.

As at the Latest Practicable Date, each of CB Richard Ellis and HLM & Co. does not have any shareholding, directly or indirectly, in any member of the Group or any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of CB Richard Ellis and HLM & Co. does not have any direct or indirect interests in any assets which had been since 31 December 2008, the date of which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by, or leased to, or proposed to be acquired or disposed of by, or leased to, any members of the Enlarged Group.

(8) SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately after Completion are set out as follows:

As at the Latest Practicable Date

Authorised share capital:		*HK$*
20,000,000,000	Shares	HK$200,000,000
Issued and paid-up share capital:		
7,251,128,605	Shares	HK$72,511,286

Immediately after Completion

Authorised share capital:		
20,000,000,000	Shares	HK$200,000,000
Issued and paid-up share capital:		*HK$*
7,251,128,605	Shares	HK$72,511,286.05
1,243,955,504	Consideration Shares	HK$12,439,555.04
8,495,084,109		HK$84,950,841.09

(9) MISCELLANEOUS

(a) There is no contract or arrangement entered into by any member of the Group subsisting at the date of this circular in which any Director is materially interested and which is significant to the business of the Group.

(b) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired, disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Enlarged Group since 31 December 2008, the date to which the latest published audited consolidated financial statements of the Group were made up.

(c) The registered office of the Company is located at Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the head office and principal place of business in Hong Kong is at Room 1816, 18/F., Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong.

(d) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(e) The company secretary of the Company is Mr. Chui Wing Fai. Mr. Chui Wing Fai is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

(10) DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at Room 1816, 18/F., Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong during normal business hours on any Business Day from the date of this circular up to and including the date of the EGM:

(a) the memorandum of association of the Company and Bye-laws;

(b) the material contracts referred to in the paragraph headed "Material contracts" in this appendix V;

(c) the written consents of the experts referred to in the paragraph headed "Experts" in this appendix V;

(d) the annual reports of the Company for each of the two financial years ended 31 December 2007 and 31 December 2008;

(e) the interim report of the Company for the six months ended 30 June 2009;

(f) the accountants' report on the Target Group prepared by HLM & Co., the text of which is set out in appendix II to this circular;

(g) the accountants' report from the auditors of the Company, HLM & Co. in respect of the unaudited pro forma financial information of the Enlarged Group as set out in appendix III to this circular;

(h) the valuation report on the Property, the text of which is set out in appendix IV to this circular;

(i) a copy of the circular of the Company dated 12 September 2008 in relation to the acquisition of the entire equity interest of 廣東康力醫藥有限公司 (Guangdong Kangli Pharmaceutical Company Limited[#]);

(j) a copy of the circular of the Company dated 31 January 2008 in relation to the formation of 深圳高原聖果生物科技有限公司 (Shenzhen Conseco Seabuckthorn Company Limited#);

(k) a copy of the circular of the Company dated 10 January 2008 in relation to the acquisition of the entire issued share capital of 上海華源藍科生物制品營銷有限公司 (Shanghai Worldbest Lanke Biological Product Sales Co. Ltd.#);

(l) a copy of the circular of the Company dated 31 December 2007 in relation to the acquisition of 10% equity interest in Conseco Seabuckthorn Co., Ltd.; and

(m) a copy of this circular.

 # The English translation of Chinese names or words in this circular, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.

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

(Formerly known as China Botanic Development Holdings Limited)
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2349)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**Meeting**") of China Water Property Group Limited (the "**Company**") will be held at Room 1816, 18/F., Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong on Friday, 18 December 2009 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions with or without amendments as ordinary resolutions:

ORDINARY RESOLUTIONS

"**THAT**

(a) the conditional agreement (the "**Agreement**", details of which are disclosed in the circular of the Company dated 30 November 2009 (the "**Circular**")) dated 19 October 2009 entered into between Mega Famous Investment Limited, a wholly-owned subsidiary of the Company, as purchaser and Highest Growth Holdings Limited, as vendor in relation to (i) the sale and purchase of one (1) share of US$1.00 each in the issued share capital of Wealth Full Global Investments Limited, representing its entire issued share capital; and (ii) all obligations, liabilities and debts owing or incurred by the BVI Subsidiary to the Vendor for a total consideration of RMB200,000,000 (equivalent to approximately HK$227,272,727) (a copy of the Agreement is marked "A" and produced to the Meeting and signed by the chairman of the Meeting for identification purpose) and the transactions contemplated thereunder be and are hereby ratified, confirmed and approved;

(b) any one or more of the directors (the "**Directors**") of the Company be and is/are hereby authorised to do all such acts and things and execute all such documents which he/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Agreement and the transactions contemplated thereunder;

(c) the allotment and issue of the Consideration Shares (First Tranche) (as defined in the Circular) credited as fully paid at the Issue Price (First Tranche) (as defined in the Circular) to the Vendors in accordance with the terms and conditions of the Agreement and the transactions contemplated thereunder be and is hereby approved; and

(d) the allotment and issue of the Consideration Shares (Second Tranche) (as defined in the Circular) credited as fully paid at the Issue Price (Second Tranche) (as defined in the Circular) to the Vendors in accordance with the terms and conditions of the Agreement and the transactions contemplated thereunder be and is hereby approved."

By order of the Board
China Water Property Group Limited
But Ka Wai
Chairman

Hong Kong, 30 November 2009

Registered office:	*Head office and principal place of business in Hong Kong:*
Cricket Square	Room 1816-17, 18/F
Hutchins Drive	Sun Hung Kai Centre
P.O. Box 2681	30 Harbour Road
Grand Cayman	Wanchai, Hong Kong
KY1-1111	
Cayman Islands	

Notes:

1. Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies (if the member is a holder of two or more shares) to attend and vote in his/her stead. A proxy need not be a member of the Company.

2. In order to be valid, the form of proxy must be duly lodged at the Company's branch registrar in Hong Kong, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong together with a power of attorney or other authority, if any, under which it is duly signed or a notarially certified copy of that power of attorney or authority, not less than 48 hours before the time for holding the meeting or any adjourned meeting.

3. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the above meeting or any adjournment thereof, should he so wish, and in such event, the form of proxy shall be deemed to be revoked.

4. Amounts denominated in RMB in this notice has been converted into HK$ at the rate of HK$1 = RMB0.88 for illustration purpose.