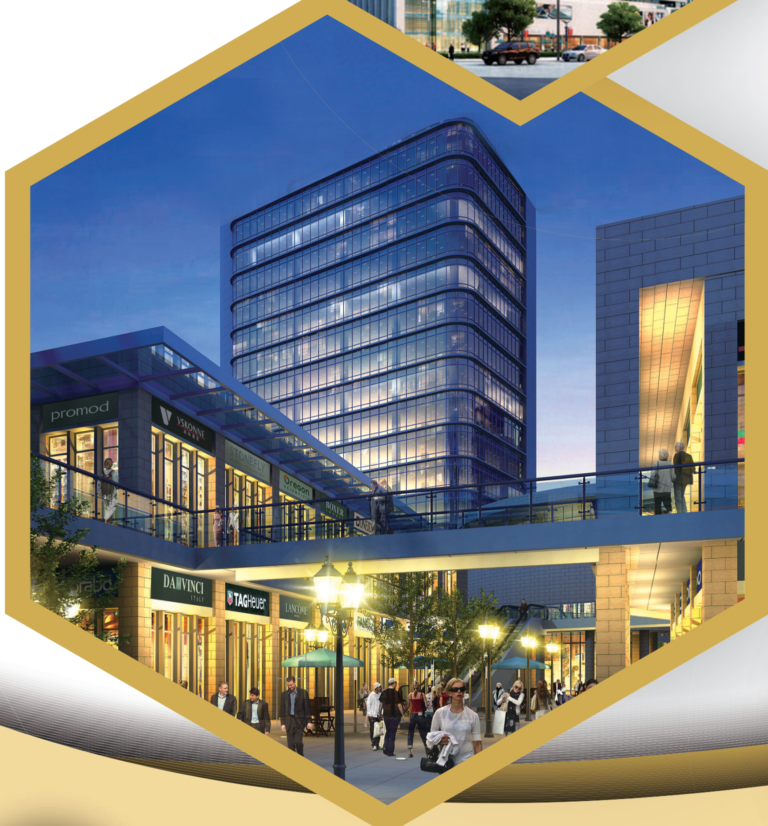
中國水務地產集團有限公司

CHINA WATER PROPERTY GROUP LIMITED

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

2013 Annual Report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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

Mr. Chan Pok Hiu
Mr. Wong Chi Ming
Mr. Wang Jian

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. Yeung Tak Yip

AUTHORISED REPRESENTATIVES

Mr. Duan Chuan Liang
Ms. Wang Wenxia

AUDITOR

HLM CPA Limited
Certified Public Accountants

WEBSITE

www.waterpropertygroup.com

REGISTERED OFFICE

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

PRINCIPAL BANKERS

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

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

The Hongkong and Shanghai Banking Corporation Limited
Level 10, HSBC Main Building
No. 1 Queen's Road Central, Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Corporate Profile

China Water Property Group Limited (the "Company" or "CWP") is dedicated to the core businesses in property development, property investment, hotel business and property management in the People's Republic of China ("PRC"). CWP develops a diverse property portfolio of residential properties, office buildings, shopping malls and hotels in first-to-second tier cities in the PRC, as its focus.

With continuous enhancement of strategic advantages in Beijing, Nanjing, Wuhan and Hangzhou, CWP keeps on exploring profitable projects first to second tier cities in the PRC as focus, as well as in other prime and strategic locations.

Taking niche marketing with quality properties in prime and strategic locations in the PRC as its priority, CWP grows its earnings potential by building up the premium assets portfolio, maintaining high operational performance and leveraging sustainable development prospects, and delivers superior returns to shareholders.

Chairman’s Statement

On behalf of the board of directors (the “Board”) China Water Property Group Limited (“CWP”), I am pleased to present the result of CWP and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2013.

In 2013, the Central Government continued and reiterated its administrative control measures to the real estate market in the People’s Republic of China (the “PRC”), together with the genuine housing demand from end-users, the property market gradually stabilised. In view of the development trend of the property market in the PRC, CWP principally focuses on first-tier cities such as Beijing and Shanghai, and prime second-tier cities and strategic provincial cities in the PRC. Following the strategy, in July 2013, the Group succeeded in entering the property market in Qianmen Avenue Commercial Zone, central district of Beijing City, which offers the Group a good opportunity to expand its business in Beijing. In November 2013, the Group successfully issued HK$350 million 12.5% senior notes due 2016. It not only optimises the capital structure of the Group, also broadens the sources of fund raising. Nevertheless, CWP adheres firmly the formulated operational strategy and prudent financial management philosophy focusing on developing quality properties and providing quality services to our customers with healthy balance sheet and modest gearing.

After years’ of development, CWP successfully develops a well-diversified portfolio including residential properties, shopping malls, office buildings, villa and hotels creating steady cash inflow to the Group. The Group is seeking and assessing land acquisition opportunities in first to second-tier cities through various channels and networks, as such, CWP would be able to build up and maintain a portfolio quality land bank at competitive prices to enable the Group to develop profitable projects sustainably.

Global financial and capital market still clouded with uncertainties including initiation of the tapering of quantitative easing policies and pace of economy recoveries. Domestically, the property administrative control measures are expected to continue to remain in place in near future. Looking ahead, Central Government shall implement economic and financial structural reforms policies, meanwhile it will foster urbanisation and domestic consumption to maintain a steady and sustainable economic growth and promote healthy business environment. 2014 is a challenging year with opportunities. CWP remains cautious about the market conditions as well as national policy changes. CWP adopts a balanced approach to capture opportunities amid these uncertainties and challenges and to create value for the shareholders.

On behalf of the Board, I would like to take this opportunity to express my sincere appreciation to all shareholders, investors, customers, business partners and employees for their support in the past year.

Duan Chuan Liang
Chairman

Hong Kong, 25 March 2014

Management Discussion and Analysis

The Group is principally engaged in property development, property investment, hotel business and property management strategically focusing on first to second tier cities in the PRC. At present, the Group's development projects primarily located in Beijing, Nanjing, Wuhan and Hangzhou. The Group develops a well-diversified portfolio including residential properties, shopping malls, office buildings, villa and hotels in first to second tier cities in the PRC as its focus, which can provide a comprehensive and sustainable growing momentum to the Group.

RESULT SUMMARY

The consolidated turnover of the Group from continuing operations increased by 36% from HK$271.4 million for the year ended 31 December 2012 to HK$368.3 million for the year ended 31 December 2013. The revenues from properties sales were HK$287.8 million mainly arising from sales of the Future Mansion in Wuhan and Mei Lai International Centre in Hangzhou, the revenues from property leasing, hotel business and property management business were HK$31.3 million, HK$42.4 million and HK$6.8 million respectively.

The overall gross profit from continuing operations increased by 37% to HK$124.4 million in 2013 from HK$90.9 million in 2012, while the gross profit margin increased to 34% in 2013 from 33% in 2012. The Group also had net fair value gains on revaluation of various investment properties of HK$34.3 million for the year ended 31 December 2013. Upon the disposal of land parcels in Guangzhou, the Group recorded a net gain of HK$235.1 million.

The profit attributable to owners of the Company increased by 74% to HK$85.6 million for the year ended 31 December 2013 from HK$49.1 million in 2012. Basic earnings per share attributable to owners of the Company increased to HK4.66 cents compared with HK2.75 cents in 2012. The Board does not propose any final dividend for the year ended 31 December 2013.

BUSINESS REVIEW

The PRC Property Development Business

During the year ended 31 December 2013, the Group's revenue from property development business amounted to HK$287.8 million, representing growth of approximately 60%, compared with HK$180.1 million in 2012. Aggregate gross floor area ("GFA") sold for the year was 21,299 square meters ("sq.m."), representing an increase of 53% from 13,954 sq.m. in 2012. Average selling price ("ASP") was approximately HK$13,514 for the year.

The Group's development projects now include Zhongshui • Longyang Plaza (previously known as "Wuhan Economic & Technological Development Zone Future City") in Wuhan and Mei Lai International Centre and Qiandao Lake Villa in Hangzhou. To respond the uncertainties in the PRC property market, the Group keeps its adopted flexible and balanced approach in controlling the progress of developing projects and acquisition of new projects to mitigate the operating risks and keeps the Group in a healthy and sound position.

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

The PRC Property Investment Business

Wuhan Future City Commercial Property Management Company Limited* ("Commercial Company") was formed by the Group to operate the Future City Shopping Centre ("Shopping Centre") owned by the Group, which held its grand opening in late August 2011. The Shopping Centre has total leasable area of approximately 55,362 sq.m. with car park included. The Shopping Centre now becomes a fashionable, dynamic and international shopping centre to cater the growing demand from the surrounding business centres and university region (more than twenty universities and tertiary education institutions including Wuhan University and Wuhan University of Technology) with 1,000,000 students and residential consumers.

During the year, a tenancy-mix optimisation project was initiated in order to further improve the earning efficiency of the Shopping Centre. A decrease in both rental income and occupancy rate was noted during the project was carried out. During the year ended 31 December 2013, the rental income arising from the Shopping Centre was approximately HK$31.3 million and the average occupancy rate is around 57%. As at 31 December 2013, the fair value of the Shopping Centre recorded HK$1,327.8 million. The operation of the Shopping Centre provided a steady cash inflow to the Group in addition to the possible capital appreciation.

During the year ended 31 December 2013, Hangzhou Mei Lai Commercial Property Management Company Limited* was formed by the Group to prepare the operation of the commercial part of Mei Lai International Centre in Yuhang district of Hangzhou. Mei Lai International Centre is completed its construction in December 2013. The commercial part has approximately 58,310 sq.m. with car park included. Mei Lai International Centre is located in new Central Business District in Yuhang district of Hangzhou and adjacent to the south station of Shanghai-Hangzhou High-Speed Railway and also the terminal of Hangzhou metro line No. 1, which is already in use in late 2012, it is expected Mei Lai International Centre can meet the increasing needs from residential and office customers nearby. As at 31 December 2013, the fair value of the commercial part of Mei Lai International Centre recorded HK$753.2 million.

Further, upon the foods business discontinued by the Group in mid-2012, the industrial land in Guangzhou was held as investment properties under redevelopment. With reference to the announcement made by the Company dated 16 September 2013, the land was disposed through the tendering processes held by Guangzhou Municipal Land Resources and Housing Administrative Bureau and the Group recorded a net gain of HK$235.1 million arising from the disposal.

The PRC Hotel Business

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

* For identification purposes only

In June 2013, Future City Hotel won an award of "Top 10 Most Welcome Boutique Business Hotel 2013"* presented by the China Travel and Hotel Management Association (the "CTHMA"). The award was by poll from PRC residents in national wide and the professional judges from the CTHMA. At the same time, Future City Hotel was also qualified as vice president unit of CTHMA. The award and qualification was a significant recognition of Future City Hotel by both Chinese public as well as hotel professionals.

During the year ended 31 December 2013, the revenue arising from Future City Hotel was approximately HK$41.0 million and the average occupancy rate is around 83%.

Chunan Yuehuzhuang Hotel Company Limited* was formed by the Group to operate 3 villas, the clubhouse and the yacht berths of Qiandao Lake Villa project as a featured hotel under the name "Yuehuzhuang Hotel". The hotel commenced its trial operation and, during the year ended 31 December 2013, recorded a revenue of approximately HK$1.4 million.

The PRC Property Management Business

Wuhan Future City Property Management Company Limited* ("Property Company"), a wholly owned subsidiary of the Group, provides residents and tenants with safe, modern, comfortable and high quality property management services. The servicing areas reached 190,654 sq.m..

During the year ended 31 December 2013, the revenue from property management was approximately HK$6.8 million.

Discontinued Operation — Wah Yuen Foods Business

Packaged Food and Convenience Frozen Food Products

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

Given the consistent efforts to return the foods business to profitability in vain, the Group had taken place the restructuring to discontinue the foods business in previous year. The related disposal was completed in July 2012 and therefore its operating result has been classified as discontinued operation for current and prior years. The result from discontinued operation reflected the net loss of approximately HK$43.4 million. The net loss from discontinued operation including impairment charges on property, plant and equipment, inventories and receivables after the comprehensive review of carrying amounts were charged to the statement of profit or loss as a loss for the year in 2012 from discontinued operation. No result was included in current year.

* For identification purposes only

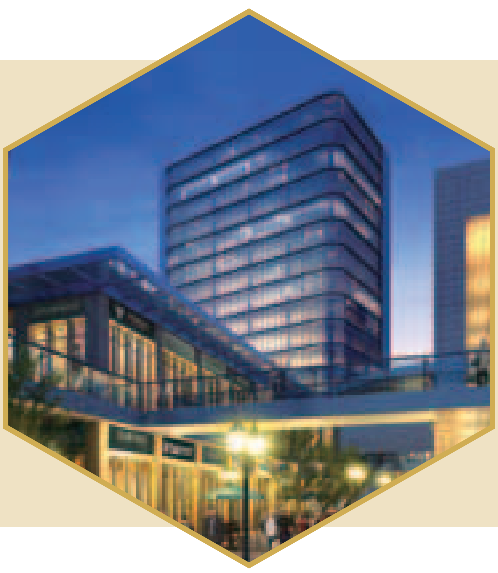
GROUP PROJECTS

WUHAN CITY, HUBEI
Future City

Future City is a large-scale integrated composite development located at Luo Shi Road South within close proximity to the Luoyu Road shopping belt and the upcoming stations of metro line No. 2 and 7, in which line No. 2 was completed and in use since late 2012. Future City is situated in the heart of business and commercial centre of Hongshan District in Wuhan City, convenient to East Lake, Wuhan University, Wuhan University of Technology and other landmarks in the neighbourhood with 1,000,000 students and residential consumers. Future City covers a total site area of 19,191 sq.m. with a total GFA of approximately 145,273 sq.m. and comprises of five high-rise residential towers, a four-story premier shopping centre and parking spaces. The project is completed stepwisely in 2010 and 2011 and the Future City shopping centre held its grand opening in late August 2011.

WUHAN CITY, HUBEI
Future Mansion

Future Mansion is located at a prime location at Wuluo Road in Hongshan District in Wuhan City, just 600 meters from Future City project. It is near the conjunction of metro line No. 2 and 7, in which line No. 2 was completed and in use in late 2012. It has a total site area of 5,852 sq.m. and been developed for a composite building of residential apartments and retail shops with GFA of approximately 42,149 sq.m.. The project is completed and under sale since second half year of 2012.



WUHAN CITY, HUBEI
Zhongshui • Longyang Plaza
(Previously known as "WEDZ Future City")

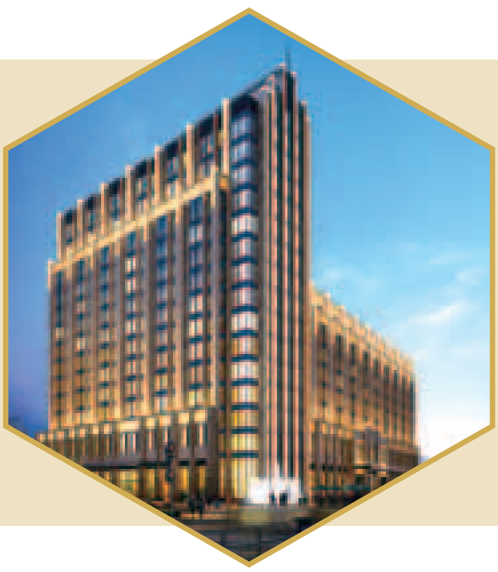
Zhongshui • Longyang Plaza is strategically situated in the prime location between the Wangjiawan business area and national level Wuhan Economic & Technological Development Zone ("WEDZ"), delineated in the western Wuhan Middle Ring Road, next to the Hanyang bus terminal and adjacent to Longyang Avenue. The project has a land site of 30,625 sq.m. and is atop the Longyang Station of metro line No. 3 which is currently under construction. This integrated complex will be developed for splendorous shopping mall and luxurious office apartments with planned GFA of approximately 135,173 sq.m. The project is under construction and planned to pre-sell in 2014.

HANGZHOU CITY, ZHEJIANG
Mei Lai International Centre

Mei Lai International Centre is strategically located in Yuhang District, which is designated as part of the new Central Business Centre of Hangzhou City, delineated in the southern of intersection of Yingbin Road, Wengmei Road and Nanyuan Street. The integrated complex occupies a total site area of 16,448 sq.m. and is adjacent to the south station of Shanghai-Hangzhou High-Speed Railway and also the terminal of Hangzhou metro line No. 1, which is already in use in late 2012. The total GFA of approximately 114,610 sq.m.. The development comprises of one grade-A office block with work loft setting, two high-rise premium apartment towers and a premier shopping centre and parking spaces. The project is completed its construction and under sale since late 2013.

HANGZHOU CITY, ZHEJIANG
Qiandao Lake Villa

This development occupies a site area of approximately 44,016 sq.m. in Qiandao Lake in Hangzhou City. It is a low-density lakefront precinct with 26 detached villas featuring luxurious settings, inclusive of lift, garage, swimming pool, yards and complemented by a full-facility clubhouse. The total planned GFA is approximately 33,493 sq.m.. The location enjoys spectacular unobstructed lake view and conveniently accessible to Hangzhou City, Shanghai and Mount Huang by either high-speed railway or expressway. The project will be completed in three phases, in which phase one is completed, and phases two and three are under construction.



NANJING CITY, JIANGSU
Hohai Project

The project is located at Nangjing Gulou District No. 1 Xikang Road, next to the main campus entrance of Hohai University. As the Jiangsu province government office is situated along Xikang Road, it is the political, economic and academic centre of Nanjing. The project has a total land site of 5,030 sq.m. and total planned GFA of approximately 34,759 sq.m. with five-star hotels, international meeting areas and commercial centres. The project is under construction and planned to complete in late 2014/early 2015.

BEIJING
Qianmen Project

The project is situated at Qianmen Avenue land parcel B14 (the "Land"), Beijing, the PRC, with a land site area of approximately 10,487 sq.m.. The Land is located at the core area of central Beijing City, which is a Beijing traditional commercial street near Tiananmen Square and Dashilar Street as well as significant political and administrative areas. Upon the completion of the premises, its planned total GFA is approximately 38,876 sq.m. and comprise of 1 storey and 3 levels below ground, mainly for the use of as a theme hotel and culture club and related property businesses (subject to government approval). The Group have the rights to develop and operate the structures aboveground and the area located on the first floor belowground, which have an aggregate GFA of approximately 17,660 sq.m.. The project is under planning.

The following table set forth an overview of the Group's property projects as at 31 December 2013:

Project	City	Equity Interest in the Project	Site Area sq.m.	Total GFA/ Planned GFA sq.m.
Completed Projects				
Future City	Wuhan	100%	19,191	145,273
Future Mansion	Wuhan	100%	5,852	42,149
Qiandao Lake Villa (Phase I)	Hangzhou	60%	13,100	6,578
Mei Lai International Centre	Hangzhou	60%	16,448	114,610
Subtotal			54,591	308,610
Projects under development				
Zhongshui • Longyang Plaza	Wuhan	100%	30,625	135,173
Qiandao Lake Villa (Phase II & III)	Hangzhou	60%	30,916	26,915
Hohai Project	Nanjing	70.6%	5,030	34,759
Subtotal			66,571	196,847
Properties held for development				
Qianmen Project	Beijing	70%+	10,487	17,660
Subtotal			10,487	17,660

\+ As at 31 December 2013, the Joint Venture Company was not yet formed. The proposed equity interest in the project of the Group is 70%.

FINANCIAL REVIEW

Turnover

Turnover of the Group for the year increased to HK$368.3 million from HK$271.4 million, an increase of 36% compared with last year. The revenue of property development increased from HK$180.1 million in 2012 to HK$287.8 million in 2013. The increase was mainly due to an increase in revenue from sales of residential properties, in which the total GFA recognised during the year was 21,299 sq.m., representing an increase of 53%, compared with the total GFA of 13,954 sq.m. recognised in last year.

The revenue from property leasing and property management business decreased from HK$51.3 million in 2012 to HK$31.3 million in 2013 and from HK$6.9 million in 2012 to HK$6.8 million in 2013 respectively, while revenue from hotel business increased from HK$33.0 million in 2012 to HK$42.4 million in 2013.

Cost of Sales

The cost of sales increased from HK$180.5 million in 2012 to HK$243.8 million in 2013, primarily due to the increase in total GFA recognised in 2013, where the cost of properties sold including development costs, land costs and borrowing costs.

During the year, the Group's cost of sales was also attributable by property investment segment of HK$7.3 million, an increase of HK$1.8 million compared with 2012, and by hotel business and property management business of HK$43.6 million and HK$4.9 million respectively, an increase of HK$3.7 million and HK$0.6 million compared with 2012 respectively.

Gross Profit and Gross Profit Margin

The gross profit increased by HK$33.5 million from HK$90.9 million in 2012 to HK$124.4 million in 2013. The Group has a gross profit margin of 34% in 2013, as compared with 33% in 2012. The slightly increase in the gross profit margin was primarily due to a shift in sales-mix of properties, in which a higher proportion of properties with higher profit margin were sold including Future Mansion commercial properties and residential properties of Mei Lai International Centre during the year.

Other Operating Income

Other operating income increased by 6% to HK$1.8 million in 2013 from HK$1.7 million in 2012. This increase was primarily due to an increase in bank interest income.

Change In Fair Value of the Investment Properties

There was a net gain of approximately HK$34.3 million in 2013 arising from change in fair value of the investment property portfolio in the PRC held by the Group.

Gain on disposal of investment properties

The net gain of disposal of investment properties of HK$235.1 million was arising from the disposal of the land parcels in Guangzhou, which was classified as investment properties under redevelopment in previous year. The land was disposed through the tendering processes held by Guangzhou Municipal Land Resources and Housing Administrative Bureau, details of which were disclosed in the announcement of the Company dated 16 September 2013.

Selling and Distribution Expenses

The selling and distribution expenses increased by 6% to HK$18.9 million in 2013 from HK$17.8 million in 2012, primarily due to increased expenses of advertising and promotion for properties sales.

Administrative Expenses

The administrative expenses increased by 7% to HK$128.8 million in 2013 from HK$120.0 million in 2012, primarily due to one-off share-based payment, one-off directors' bonus, increased development projects and diversed operating teams during the year compared with 2012.

Finance Costs

The finance costs decreased by 21% to HK$31.4 million in 2013 from HK$39.7 million in 2012. As the Group raised more borrowings specific for the property development projects, finance cost form relevant borrowings taken as capitalised costs increased in 2013.

Income Tax Expense

The income tax decreased by 10% to HK$78.8 million in 2013 from HK$87.8 million in 2012. The decrease was primarily attributable to deferred tax credit in relation to the fair value change of investment properties, that was net with an increase in provision for enterprise income tax and also land appreciation tax, which were contributed mainly by the increase in sales of residential properties and profit arising from the properties sold during the year.

Discontinued Operation

The result from Wah Yuen foods business was classified as discontinued operation. For the year ended 31 December 2012, the result from discontinued operation reflected the net loss of HK$43.4 million. No result was included in 2013.

Profit Attributable to owners of the Company

The profit attributable to owners of the Company for the year increased by 74% to HK$85.6 million in 2013 from HK$49.1 million in 2012.

Liquidity, Financial and Capital Resources

The Group has strengthened its financial position by share placement to raise about HK$33.0 million on 19 June 2013 and, on 28 November 2013, the Company issued HK$350.0 million 12.5% senior notes due 2016 at 98.78% for financing existing and new property projects and for general corporate purposes.

Total bank deposits and cash (including pledged bank deposits) of the Group amounted to HK$498.8 million as at 31 December 2013. The Group's net debt was increased by HK$345.6 million to HK$1,066.0 million, which was made up of HK$1,564.8 million in debts and HK$498.8 million in bank deposits and cash. The total debts as at 31 December 2013 included short-term borrowings of HK$561.1 million, long-term borrowings of HK$604.1 million, senior notes of HK$330.0 million and liability component of convertible notes of HK$69.6 million. The Group's bank borrowings bear floating rate and were primarily denominated in Hong Kong dollar and Renminbi. The Renminbi borrowings were principally used to fund the Group's property development in the PRC.

The total assets of the Group increased by HK$1,019.5 million, or 25%, from HK$4,129.4 million in 2012 to HK$5,148.9 million in 2013. The Group had net current assets of HK$987.6 million, consisting of HK$2,727.2 million of current assets and HK$1,739.6 million of current liabilities. The net current assets increased by HK$518.6 million from the net current assets of HK$469.0 million as at 31 December 2012. The current ratio (current assets divided by current liabilities) was 1.57 (31 December 2012: 1.36).

As at 31 December 2013, the Group's shareholders' equity increased by 11% from HK$1,599.0 million to HK$1,767.0 million and the ratio of net debt to shareholders' equity was 60%, compared 45% as at 31 December 2012.

EXPOSURE TO FLUCTUATION IN FOREIGN EXCHANGE AND INTEREST RATE

The Group principally operates the property development, property investment, hotel business and property management in the PRC and most of the transactions are settled in Renminbi. The conversion of Renminbi into foreign currencies or Hong Kong dollars is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. The usual treasury policy of the Group is to manage significant currency exposure and minimise currency risk whenever it may have material impact on the Group. The Group did not engage in hedging activities designed or intended to manage currency risk during the year ended 31 December 2013.

The Group is exposed to interest rate risks, primarily related to the borrowings with floating interest rates as at 31 December 2013. The Group undertook primarily debt obligations to support its property development and general working capital needs. The fluctuations in interest rates affect the cost of financing and may lead to fluctuations in the fair value of the debt obligations of the Group. The results of the Group are also affected by changes in interest rates due to the impact such changes have on interest income from the bank deposits.

PLEDGE OF ASSETS

As at 31 December 2013, certain bank deposits, certain land and buildings together with relevant land use rights and certain investment properties with an aggregate carrying amount of approximately HK$3,314.9 million were pledged as security for certain banking facilities granted to the Group.

CONTINGENT LIABILITIES AND COMMITMENTS

As at 31 December 2013, the Group had capital commitments in connection with the property development activities amounted to HK$480.7 million, primarily related to construction costs on projects under development and expenditures related to future property developments and investments.

The Group had capital commitments in respect of its prepayment of acquisition of an intangible asset, authorised but not contracted in the consolidated financial statements, amounting to not more than HK$229.9 million.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2013, the total number of employees stood at approximately 404. Total staff costs (including the equity-settled share-based payment) for the year under review were approximately HK$75.4 million. The Group offers its workforce comprehensive remuneration and employees' benefits packages.

FUTURE PLANS AND PROSPECTS

The Group is dedicated to the core properties businesses in property development, property investment, hotel business and property management in the PRC. In view of the development trend of the property market in the PRC, CWP principally focuses on first-tier cities such as Beijing and Shanghai, and prime second-tier cities and strategic provincial cities in the PRC. CWP adheres firmly the formulated operational strategy and prudent financial management philosophy focusing on developing quality properties and providing quality services to our customers with healthy balance sheet and modest gearing.

The Group is seeking and assessing land acquisition opportunities in first- and second-tier cities through various channels and networks including the government land auction, searching for companies with land use rights and properties, as well as other developers and business partners who present land acquisition opportunities, as such, the Group would be able to build up and maintain a quality land bank portfolio at competitive prices to enable the Group to develop profitable projects sustainably.

Global financial and capital market still clouded with uncertainties including initiation of the tapering of quantitative easing policies and pace of economy recoveries. Domestically, the property administrative control measures are expected to continue to remain in place in near future. Looking ahead, Central Government shall implement economic and financial structural reforms policies, meanwhile it will foster urbanisation and domestic consumption to maintain a steady and sustainable economic growth and promote healthy business environment. 2014 is a challenging year with opportunities. CWP remains cautious about the market conditions as well as national policy changes. CWP adopts a balanced approach to capture opportunities amid these uncertainties and challenges and to create value for the shareholders.

With a management team comprised of property development expertise, commercial property professionals and hotel management team and the strong supports from shareholders, the Group is confident and positive about bringing superior values to shareholders with its business strategies and competitive edges and to enhance its brand and reputation in the PRC property market. The Group will balance the development and growth with its resources, and keep a healthy and sound financial position.

Directors' and Senior Management Biographical Details

MR. DUAN CHUAN LIANG ("MR. DUAN")
— Chairman and Non-executive Director

Mr. Duan, aged 50, was appointed as Chairman and Non-executive Director on 25 October 2010. Mr. Duan was graduated from the North China College of Water Conservancy and Hydro Power with a bachelor degree, majoring in irrigation and water conservancy works. Mr. Duan had been working for the Ministry of Water Resources of the PRC for more than 10 years. Mr. Duan has over 20 years experience in water conservancy management, real estate development experience.

Mr. Duan is the chairman and the executive director of China Water Affairs and director of numerous other enterprises in the PRC. The register of substantial shareholders maintained under Section 336 of the SFO show that at 31 December 2013, China Water Affairs holds 830,835,135 issued Shares of the Company (each a "Share"), representing approximately 44.70% of the total issued share capital of the Company.

MS. WANG WENXIA ("MS. WANG")
— Vice Chairman, Executive Director and Chief Executive Officer

Ms. Wang, aged 54, was appointed as Vice Chairman, an Executive Director and Chief Executive Officer of the Company. Ms. Wang is responsible for the overall strategic development, making decisions for investment projects and determining the direction of development of the Group. Ms. Wang holds a master degree in finance from Dongbei University of Finance and Economics. Ms. Wang currently holds senior management positions in various unlisted companies incorporated in the PRC, and has active experience at the management level in structured finance and real estate for over 20 years, including investment, mergers and acquisitions and asset management services. Ms. Wang also has management experience spanning various industries including finance, real estate, mining, mineral processing and import and export.

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

MR. REN QIAN ("MR. REN")
— Executive Director

Mr. Ren, aged 53, was appointed as Executive Director on 30 July 2009. He is responsible for strategic development and properties management of the Group. Mr. Ren graduated from the North China University of Water Conservancy and Electronic Power majoring in agricultural water in 1983 and obtained his Master of Business Administration degree from Beijing Normal University in 2001. He has over 30 years experience in the water resources management, housing and urban-rural development and the real estate industries in the PRC. Mr. Ren was the secretary of the office minister of The Ministry of Water Resources of the PRC and The Ministry of Housing and Urban-Rural Development of the PRC, respectively. Mr. Ren was also the deputy mayor of The People's Government of Hebei Province, Langfang City and the deputy general manager of The Housing and Urban-Rural Development Huatong Real Estate Limited#. Prior to joining the Group, Mr. Ren was the senior adviser of the chairman of the board of Beijing Yinghe Real Property Company#.

MR. ZHOU KUN ("MR. ZHOU")
— Non-executive Director

Mr. Zhou, aged 46, was appointed as Non-executive Director on 30 July 2009. He graduated from the Xian Institute of Industry# majoring in fine arts technology in 1987. He has over 20 years experience in media, advertising and real estate industries in Shenzhen. Mr. Zhou was the art director of Shenzhen Legal System Newspaper# and the general manager of Shenzhen Xinli Chuanren Advertising Limited#.

MR. CHAN POK HIU ("MR. CHAN")
— Independent Non-executive Director

Mr. Chan, aged 46, was appointed as Independent Non-executive Director on 16 August 2010. He is an experienced investment banker with more than 18 years of experience holding many senior positions in various famous international banks. While he has mainly focused his efforts on PRC dealmaking in recent years, he has accumulated extensive experience in back office support, business management and risk control functions.

Mr. Chan has worked in Standard Bank Group for six years, and was a core member of Asia Originations Team at Standard Bank Asia Limited where he was responsible for originating, structuring and executing investment banking, global markets, resources banking and private equity transactions. Before joining Standard Bank, Mr. Chan was the operations director and alternate chief executive for Fleet National Bank, Hong Kong Branch (now part of Bank of America), responsible for the overall policy-making, direction, co-ordination, planning and control of the Branch. Previously, Mr. Chan had been with Merrill Lynch (Asia Pacific) Limited, responsible for supporting equities derivatives. Prior to Merrill Lynch, he had been with UBS as an analyst. Mr. Chan started his professional career at Chase Manhattan Bank headquarters in New York, acting as internal auditor. Mr. Chan holds BBA and MBA degrees from Baruch College of City University of New York.

MR. WONG CHI MING ("MR. WONG")
— Independent Non-executive Director

Mr. Wong, aged 37, was appointed as Independent Non-executive Director on 16 August 2010. He graduated from the Hong Kong Polytechnic University with a Bachelor of Arts Degree in Accountancy. He has over 10 years extensive experience in the fields of audit, accounting, taxation and corporate finance. He is a member of the Hong Kong Institute of Certified Public Accountants. He is currently a practicing director of a Hong Kong based medium-sized certified public accountants firm.

MR. WANG JIAN ("MR. WANG")
— Independent Non-executive Director

Mr. Wang, aged 43, was appointed as Independent Non-executive Director on 21 April 2011. Chinese nationals, Bachelor of Economics. Currently managing director of Shenzhen City Jin Ruige Finance Guarantee Company Limited#, Datang Hui Jin Investments Company Limited#. He has served as the credit manager of Industrial and Commercial Bank of China Yangzhou branch, vice president of Hua Li Property Company Limited# and vice general manager of Shenzhen Zhong Ke Zhi Investment Guarantee Company Limited#. He has over 20 years extensive experience in corporate finance, capital operation, property development project financing and corporate operational management.

SENIOR MANAGEMENT

The abovementioned Directors of the Company are members of senior management of the Group.

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

The directors of the Company (each a "Director") present their annual report and the audited consolidated financial statements of China Water Property Group Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in Note 47 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 31 December 2013 are set out in the consolidated statement of profit or loss on page 38 of this report.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2013.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 129 of this report.

PREPAID LEASE PAYMENT

Details of movements in prepaid lease payment of the Group during the year are set out in Note 15 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 16 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of the movements in investment properties of the Group during the year are set out in Note 18 to the consolidated financial statements. Further details of the Group's major properties are set out on page 130 of this report.

SHARE CAPITAL

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

CONVERTIBLE NOTES

Details of the movements in convertible notes during the year are disclosed in Note 31 to the consolidated financial statements.

SENIOR NOTES

Details of senior notes are set out in Note 32 to the consolidated financial statements.

RESERVES

Details of the movements in reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity from pages 43 to 44 of this report and Note 35 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

Distributable reserves of the Company is HK$617.2 million as at 31 December 2013, which comply with the Companies Law of the Cayman Islands.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Except the shares placement made in June 2013 by the Company, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's ordinary shares during the year ended 31 December 2013.

DIRECTORS

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

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

Mr. Chan Pok Hiu
Mr. Wong Chi Ming
Mr. Wang Jian

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

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Chan Pok Hiu and Mr. Wong Chi Ming as the Independent Non-executive Director, has entered into new service contract with the Company for a term of three years which commence on 16 August 2013, and Mr. Wang Jian ("Mr. Wang") as the Independent Non-executive Director, has entered into a service contract with the Company for an initial term of three years which commenced on 21 April 2011, together with Mr. Wang will also enter into new service contract with the Company for a term of three years which commence on 21 April 2014. All of them will continue thereafter until terminated by either party by giving not less than six months' written notice.

Ms. Wang Wenxia ("Ms. Wang") has been re-appointed as the Chief Executive Officer of the Company with effect from 17 January 2014 and Ms. Wang has also entered into the new service contract with the Company on 17 January 2014. The term of the service contract will be for three years commencing from the date of the service contract subject to compliance with the relevant provisions of the Listing Rules.

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

Apart from the foregoing, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Listing Rules") from each of the Independent Non-executive Directors, namely Mr. Chan Pok Hiu, Mr. Wong Chi Ming and Mr. Wang Jian for the year ended 31 December 2013 and as the date of this report, the Company considers the Independent Non-executive Directors to be independent.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out from pages 15 to 16 of this annual report.

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

As at 31 December 2013, the interests and short positions of each Director and the chief executives of the Company in the shares and the underlying shares of the Company and any associated corporations (as defined in Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept under Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

(i) Long positions in shares as at 31 December 2013

Name of Director	Capacity	Notes	Number of underlying shares	Approximate percentage of shareholding
Mr. Duan Chuan Liang	Beneficial owner	(1)	4,207,928	0.23%
Ms. Wang Wenxia	Beneficial owner	(2)	1,231,440	0.07%
Mr. Ren Qian	Beneficial owner	(3)	680,400	0.04%

(ii) Long positions in underlying shares as at 31 December 2013

Name of Director	Capacity	Notes	Number of underlying shares	Approximate percentage of shareholding
Mr. Duan Chuan Liang	Beneficial owner	(4)	12,795,263	0.69%
		(5)	54,262,000	2.92%
			67,057,263	**3.61%**
Ms. Wang Wenxia	Beneficial owner	(4)	12,795,263	0.69%
		(6)	18,087,228	0.97%
			30,882,491	**1.66%**
Mr. Ren Qian	Beneficial owner	(6)	1,500,000	0.08%
Mr. Zhou Kun	Beneficial owner	(6)	1,500,000	0.08%
Mr. Chan Pok Hiu	Beneficial owner	(6)	700,000	0.04%
Mr. Wong Chi Ming	Beneficial owner	(6)	700,000	0.04%
Mr. Wang Jian	Beneficial owner	(6)	700,000	0.04%

Notes:

(1) The personal interests of Mr. Duan Chuan Liang comprise 4,207,928 ordinary shares and 67,057,263 outstanding share options.

(2) The personal interests of Ms. Wang Wenxia comprise 1,231,440 ordinary shares and 30,882,491 outstanding share options.

(3) The personal interests of Mr. Ren Qian comprise 680,400 ordinary shares and 1,500,000 outstanding share options.

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

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

(5) These share options were granted on 23 April 2013 at an exercise price of HK$0.598 per share of the Company with exercise period from 23 April 2013 to 22 April 2023.

(6) These share options were granted on 29 May 2013 at an exercise price of HK$0.64 per share of the Company with exercise period from 29 May 2013 to 28 May 2023.

Save as disclosed above, as at 31 December 2013, none of the Directors nor chief executives of the Company had or was deemed to have any interests or short positions in shares, underlying shares or debentures of the Company and its associated corporations as recorded in the register required to be maintained under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

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

				Number of share option					
Category	Date of grant	Exercise price (HK$)	Exercise period	As at 1 January 2013	Granted during the year	Exercised during the year	Expired during the year	Lapsed during the year	As at 31 December 2013
Directors	03/11/2010	0.9602	03/11/2010 to 02/11/2020	25,590,526	–	–	–	–	25,590,526
Director	23/04/2013	0.598	23/04/2013 to 22/04/2023	–	54,262,000	–	–	–	54,262,000
Directors/ Employees/ Consultants	29/05/2013	0.64	29/05/2013 to 28/05/2023	–	42,787,228	–	–	–	42,787,228
				25,590,526	97,049,228	–	–	–	122,639,754

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

On 18 June 2013, the shareholders of the Company at the annual general meeting approved the adoption of a new share option scheme (the "New Scheme") and the termination of the old share option scheme (the "Old Scheme") which was adopted by the Company on 3 June 2003. The New Scheme will expire on 17 June 2023. Option granted under the Old Scheme prior to such termination will continue to be valid and exercisable in accordance with the rules of the Old Scheme.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

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

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

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 31 December 2013, the Company had been notified of the following substantial shareholders' interests and short positions in the shares and underlying shares of the Company, being 5% or more of the Company's issued share capital.

(i) Long positions in the shares as at 31 December 2013

Name of substantial Shareholder	Notes	Capacity/ Nature of interest	Number of ordinary shares	Approximate percentage of shareholding
China Water Affairs Group Limited	(1)	Beneficial owner and interest of controlled corporation	830,835,135	44.70%
China Financial International Investments Limited ("CFIIL")	(2)	Beneficial owner	183,199,429	9.86%
China Financial International Investments and Managements Limited	(3)	Investment manager	183,199,429	9.86%
Capital Focus Asset Management Limited	(3)	Investment manager	183,199,429	9.86%

(ii) Long positions in the underlying shares as at 31 December 2013

Name of substantial Shareholder	Note	Capacity/ Nature of interest	Number of ordinary shares	Approximate percentage of shareholding
China Water Affairs Group Limited	(4)	Interest of controlled corporation	215,683,681	11.60%

Notes:

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

(2) These Shares were held by China Financial International Investments Limited (Stock Code: 721). Therefore, CFIIL have beneficially interested in the said Shares.

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

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

Pursuant to the terms of the convertible notes, the conversion price of the outstanding convertible notes were adjusted as a result of the completion of the one consolidated share for every ten shares and the open offer in the proportion of two offer shares for every five consolidated shares on 24 October 2011. Adjusted conversion price as HK$0.3781 in respect of the outstanding principal amount of HK$81,550,000, an aggregate of approximately 215,683,681 Shares will be issued and allotted upon full conversion of the convertible notes. China Water Affairs is deemed to be interested in the said underlying shares by virtue of its wholly owned interest in Good Outlook.

Save as disclosed above, the Company has not been notified by any persons or corporations, other than the Directors or chief executives of the Company, who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of Part XV of the SFO as at 31 December 2013.

CONNECTED TRANSACTIONS

Details of the significant related party transactions undertaken by the Group during the year in the ordinary course of business or on normal commercial terms are set out in Note 46 to the consolidated financial statements. Certain details of which had been disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

AUDIT COMMITTEE

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

The audit committee is satisfied with its review and the audit fees, the independence of the auditor and recommended to the Board the re-appointment of the auditor in 2014 at the forthcoming annual general meeting. The audit committee is accountable to the Board and the primary duties of the audit committee including the review and supervision of the Group's financial reporting process and internal controls.

The Group's annual results for the year ended 31 December 2013 have been reviewed by the audit committee, which was of the opinion that the preparation of such annual results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

MAJOR CUSTOMERS AND SUPPLIERS

The top five suppliers in aggregate and the single largest supplier of the Group accounted for approximately 23% and 10% for the Group's total purchases for the year ended 31 December 2013 respectively.

The aggregate sales attributable to the five largest customers of the Group accounted for less than 30% of the Group's total sales for the year ended 31 December 2013.

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

PUBLIC FLOAT

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

MANAGEMENT CONTRACT

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

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint HLM CPA Limited as auditor of the Company.

On behalf of the Board

Duan Chuan Liang
Chairman

Hong Kong, 25 March 2014

Corporate Governance Report

The Company is committed to maintaining good corporate governance standard and procedures to ensure the integrity, transparency and quality of disclosure in order to enhance the shareholders' value. The board of directors (the "Board") reviews its corporate governance system from time to time in order to meet the rising expectations of shareholders and comply with the increasingly tightened regulatory requirements.

BOARD OF DIRECTORS

1. The Board

The Company is managed through the Board which currently comprises seven Directors, comprising Ms. Wang Wenxia (Vice Chairman and Chief Executive Officer) and Mr. Ren Qian as Executive Directors; Mr. Duan Chuan Liang (Chairman) and Mr. Zhou Kun as Non-executive Directors and Mr. Chan Pok Hiu, Mr. Wong Chi Ming and Mr. Wang Jian as Independent Non-executive Directors. Non-executive Directors (including Independent Non-executive Directors) comprise more than 71% of the Board, of which Independent Non-executive Directors make up more than 42%. The Company has compiled with the Listing Rules requirement of Independent Non-executive Directors representing at least one-third of the Board on or before 31 December 2013. The names and biographical details of the Directors of the Company, and the relationship amongst them, if any, are set out on pages 15 to 16 of this annual report.

The Board is responsible for setting the strategic direction and policies of the Group and supervising the management. Some functions including, inter alia, the monitoring and approval of material transactions, matters involving a conflict of interest for a substantial shareholder or Director of the Company, the approval of the interim and final results, other disclosures to the public or regulators and the internal control system are reserved by the Board and the decisions relating to such matter shall be subject to the decision of the Board. Matters not specifically reserved to the Board and necessary for the daily operations of the Company are delegated to the management under the supervision of the respective Directors and the leadership of the chief executive officer.

There are agreed procedures for the Directors, upon reasonable request, to seek independent professional advice at the Company's expense in appropriate circumstances.

The Board conducts scheduled meetings on a regular basis. Ad-hoc meetings are convened when circumstances require; the Board had met seven times for the year ended 31 December 2013 and considered, reviewed and approved significant matters including the 2012 annual results, shares placement, Oriental Arts Valley project, Qianmen project, the 2013 interim results, major disposal and issuance of senior notes.

Non-executive Directors and Independent Non-executive Directors are selected with the necessary skills and experience to provide strong independent element on the Board and to exercise independent judgement. At least one of the Independent Non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise as provided under Rule 3.10 of the Listing Rules.

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

2. Appointment, Re-election and Removal of Directors

At each annual general meeting of the Company ("AGM"), one-third of the Directors are required to retire from office by rotation. As at 31 December 2013, all Independent Non-executive Directors are appointed for a fixed term not exceeding three years and all Non-executive Directors are subject to the requirements of retirement by rotation and re-election by Shareholders at the AGM in accordance with the Company's articles of association (the "Articles").

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

Since the Company establishes a nomination committee participating in the appointment of new Directors. In evaluating whether an applicant is suitable to act as a Director, the nomination committee will consider the experience and skills of the applicant, as well as personal ethics, integrity and the willingness to commit time in the affairs of the Group. Where the applicant is appointed as an Independent Non-executive Director, the Board will also consider his independence. During the year ended 31 December 2013, the Board had also reviewed and made recommendations in respect of the re-appointments of retiring Directors, which were approved by the Shareholders at the last AGM.

Newly appointed Director(s) will be given an induction on the information of the Group and a manual on the duties and responsibilities as a director of a listed company both under the Listing Rules and applicable laws. The Company has arranged appropriate insurance cover in respect of legal action against the Directors and officers.

3. Chairman and Chief Executive Officer

The Group is committed to achieving high standards of corporate governance. Throughout the year ended 31 December 2013, the Company had applied the principles and complied with the requirements set out in the CG Code in Appendix 14 of the Listing Rules:

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

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

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

BOARD COMMITTEES

1. Audit Committee ("AC")

The AC comprises three Independent Non-executive Directors, namely Mr. Wong Chi Ming (AC Chairman), Mr. Chan Pok Hiu and Mr. Wang Jian. The company secretary (the "Company Secretary") of the Company serves as the secretary of the AC and minutes of the meetings are sent to the members of the AC within a reasonable time after the meetings. The quorum necessary for the transaction of business by the AC is two.

At least one of the members of the AC has appropriate professional qualifications or accounting or related financial management expertise as required under the Listing Rules. None of the members of the AC was a former partner of the Company's existing external auditor within one year immediately prior to the dates of their respective appointments. All members have appropriate skills and experience in reviewing financial statements as well as addressing significant control and financial issues of the Company.

The Board expects the members of the AC to exercise independent judgement and delegates the responsibilities of the corporate governance functions to the AC in order to comply with the requirement of the CG Code. In February 2012, the Board adopted a revised terms of reference of the AC which include the amendments in line with the requirements of the CG Code. Under its revised terms of reference, the AC has been delegated the corporate governance functions of the Board to monitor, procure and manage corporate compliance within the Group.

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

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

Works performed during the year included:

(i) considered and approved the terms of engagement of the external auditor and their remuneration;

(ii) reviewed the annual financial statements for the year ended 31 December 2012 and the interim financial statements for the six months ended 30 June 2013;

(iii) reviewed the Group's internal control system; and

(iv) reviewed the Company's policies and practices on corporate governance.

The revised terms of reference setting out the AC's authority and its duties and responsibilities are available on the Company's website and on the Stock Exchange website.

The AC met three times during the year ended 31 December 2013 with an attendance rate of 100% and reviewed the annual results of the Group for the year ended 31 December 2012 and the interim results of the Group for the six months ended 30 June 2013. The AC had also reviewed the Group's audited annual results of the year ended 31 December 2013. The Company Secretary keeps all the minutes of the AC meeting.

2. Remuneration Committee ("RC")

The RC comprises three Independent Non-executive Directors namely, Mr. Chan Pok Hiu (RC Chairman), Mr. Wong Chi Ming and Mr. Wang Jian. The Company Secretary serves as the secretary of the RC and minutes of the meetings are sent to the members of the RC within a reasonable time after the meetings. The quorum necessary for the transaction of business by the RC is two.

In February 2012, the Board adopted a revised terms of reference of the RC which include the amendments in line with the requirements of the CG Code. The RC has adopted the model that it will review the proposals made by the management on the remuneration of Executive Directors and senior management, and make recommendations to the Board. The Board will have final authority to approve the recommendations made by the RC.

Major responsibilities and functions of the RC are:

- to make recommendations to the Board on the issuer's policy and structure for all remuneration of Directors and senior management;
- to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the board from time to time;
- to review and approve the compensation payable to Executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the issuer;

- to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate; and

- to do any such things to enable the Committee to discharge its powers and functions conferred on it by the Board.

Works performed during the year included:

(i) reviewed and approved the remuneration of all Executive Directors of the Company for the year of 2013 and bonus payment for the year of 2012; and

(ii) reviewed the level of Directors' fees and made recommendations on the Directors' fees for the year ended 31 December 2013.

The revised terms of reference setting out the RC's authority and its duties and responsibilities are available on the Company's website and on the Stock Exchange website.

The RC met three times during the year ended 31 December 2013 with an attendance rate of 100% and reviewed its terms of reference, the remuneration policy of the Group and the remuneration packages of Directors and senior management.

During the current year, there was one remuneration committee meeting held, at which the remuneration packages of all Directors and senior management were discussed and approved. The fees of the Directors are subject to the Shareholders' approval at general meetings of the Company. Other emoluments are reviewed by the RC with reference to Directors' duties, responsibilities and performance and the results of the Group. Details of the remuneration payable to the Directors are set out in Note 9 to consolidated financial statements.

3. Nomination Committee ("NC")

The NC comprises three Independent Non-executive Directors, namely Mr. Chan Pok Hiu (NC Chairman), Mr. Wong Chi Ming and Mr. Wang Jian. The Company Secretary serves as the secretary of the NC and minutes of the meeting is sent to the members of the NC within a reasonable time after the meeting. The quorum necessary for the transaction of business by the NC is two.

The NC was formed on 16 September 2005. The Company formulated written terms of reference for the NC and the adopted terms of reference are in compliance with the code provision in the CG Code.

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

- to implement the nomination policy laid down by the Board;

- to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;

- to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for directors in particular the Chairman and the Chief Executive Officer; and
- to report to the Board the findings and recommendations of the committee at the next meeting of the Board following each NC meeting.

Works performed during the year included:

- to make recommendations to the Board in respect of the re-appointment and re-election of retiring Directors at 2013 AGM.

The revised terms of reference setting out the NC's authority and its duties and responsibilities are available on the Company's website and on the Stock Exchange website.

The NC met once during the year ended 31 December 2013 with an attendance rate of 100%. To review its terms of reference and re-election of retiring Directors, the nomination procedures basically follow the Article 111 which empowers the Board from time to time and at any time to appoint any person as director either to fill a casual vacancy or as an addition to the Board.

ATTENDANCE AT MEETINGS

During the year under review, the attendance records of the Directors at Board Meetings, Audit Committee Meetings, Remuneration Committee Meeting, Nomination Committee Meeting, the 2013 AGM and extraordinary general meeting ("EGM") are as follows:

	Numbers of meetings attended/held					
	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meeting	2013 AGM	EGM
Attendance / Number of meetings held						
Executive Directors						
Ms. Wang Wenxia	7/7	N/A	N/A	N/A	1/1	1/1
Mr. Ren Qian	4/7	N/A	N/A	N/A	0/1	0/1
Non-executive Directors						
Mr. Duan Chuan Liang	7/7	N/A	N/A	N/A	0/1	0/1
Mr. Zhou Kun	4/7	N/A	N/A	N/A	0/1	0/1
Independent non-executive Directors						
Mr. Chan Pok Hiu *(RC and NC Chairman)*	7/7	3/3	3/3	1/1	1/1	1/1
Mr. Wong Chi Ming *(AC Chairman)*	7/7	3/3	3/3	1/1	1/1	1/1
Mr. Wang Jian	7/7	3/3	3/3	1/1	0/1	0/1

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2013, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code ("CG Code") as set out in Appendix 14 of the Listing Rules, except for certain deviations which are summarised below:

(1) Code Provision A.1.3

Under this code provision A.1.3, notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. For all other board meetings, reasonable notice should be given. Although the ad-hoc meetings of the Board had convened when the circumstances required, which has given the sufficient notice to all directors and validly convened pursuant to the Articles of Association (the "Articles") of the Company.

(2) Code Provision A.4.2

Under this code provision A.4.2, every director should be subject to retirement by rotation at least once every three years. According to Articles, at each annual general meeting, one third of the Directors shall retire from office by rotation provided that notwithstanding anything therein, the chairman of the Board of the Company (the "Chairman") shall not be subject to retirement by rotation or taken into account in determining the number of Directors to retire. As continuation is a key factor to the successful long term implementation of business plans, the Board believes that the roles of the chairman provide the Group with strong and consistent leadership and allow more effective planning and execution of long-term business strategy. As such, the Board is of the view that the Chairman should not be subject to retirement by rotation.

(3) Code Provision A.6.7

Under this code provision A.6.7 of the CG Code, which stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Due to other business engagements, one Executive Director, certain Non-executive Directors and one Independent Non-executive Director could not attend the EGM of the Company held on 27 May 2013 and the annual general meeting of the Company held on 18 June 2013 (the "2013 AGM"). However, at the respective general meeting of the Company, there were one Executive Director and at least two Independent Non-executive Directors present to enable the Board to develop a balanced understanding of the views of the shareholders of the Company (the "Shareholders").

(4) Code Provision E.1.2

Code provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting and also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting.

Due to another business engagement, Mr. Duan Chuan Liang, the Chairman of the Board, was unable to attend the EGM and the 2013 AGM. However, Ms. Wang Wenxia, the Vice Chairman and Executive Director, took the chair of that meetings, and two Independent Non-executive Directors, being the delegate of the audit, remuneration and nomination committees of the Company were present thereat to be available to answer any question to ensure effective communication with the Shareholders.

Except as stated above, the Company has continued to comply with the applicable code provisions of the CG Code.

INDUCTION PROGRAMME AND TRAINING FOR BOARD MEMBERS

Each newly appointed Director receives a comprehensive and formal induction to ensure that he/she has an appropriate understanding of (i) the business and operations of the Group; (ii) his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements; (iii) the corporate governance code of the Company and (iv) the Model Code for Securities Transactions by Directors of Listed Issuers.

The Directors are committed to complying with code provision A.6.5 of the CG Code on Directors' training effective from 1 April 2012. All Directors confirmed that they have participated in continuous professional development to develop and refresh their knowledge and skills during the year.

COMPANY SECRETARY

The Company Secretary, Mr. Yeung Tak Yip, is responsible to the Board for ensuring that the Board procedures are followed and the Board activities are efficiently and effectively conducted. He is also responsible for ensuring that the Board is fully appraised of the relevant legislative, regulatory and corporate governance developments relating to the Group and facilitating the induction and professional development of Directors.

The Company Secretary reports to the Chairman and the Chief Executive Officer, plays an essential role in the relationship between the Company and its shareholders, and assists the Board in discharging its obligations to shareholders pursuant to the Listing Rules.

During the year under review, Mr. Yeung has attended relevant professional seminars to update his skills and knowledge. He has complied with the Listing Rules to take no less than 15 hours of relevant professional training in each financial year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

Having made specific enquiries to all Directors, all the Directors confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2013.

ACCOUNTABILITY AND AUDIT

1. Financial Reporting

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

In preparing the accounts for the year ended 31 December 2013, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent and reasonable.

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

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

2. Auditor and their Remuneration

For the year ended 31 December 2013, the total remuneration in respect of audit service paid and payable to the Company's auditor, HLM CPA Limited, amounted to HK$1,008,000. Non-audit service fee in relation to financial reporting review, major transaction and issuance of senior notes for the year paid amounted to HK$265,000.

COMMUNICATION WITH SHAREHOLDERS

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

1. Disclosure of information on Company's website

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

2. General meetings

The Company had provided sufficient notice for Shareholders on all general meetings of the Company. The AGM provides a useful platform for Shareholders to exchange views with the Board. The Chairman and the Board members are available to answer Shareholders' questions.

3. Voting by poll

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

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

COMMUNICATION WITH INVESTORS

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

1. Results announcement

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

2. Regularly release corporate information

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

3. Shareholders Right

(i) Convene an Extraordinary General Meeting

The Directors may, whenever they think fit, convene an EGM. The EGM shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Directors or the Company Secretary for the purpose of requiring an EGM to be called by the Directors for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the requisitionist(s) by the Company.

(ii) Send Enquiries to the Board

Enquiries of shareholders can be sent to the Company by post to the Company's Hong Kong head office at Suite 6208, 62nd Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. Shareholders can also make enquiries with the Board directly at the general meetings.

(iii) Make proposals at General Meetings

Pursuant to the Articles (as amended from time to time), the Shareholders who wish to move a resolution may by means of requisition convene an EGM follow the procedures as set out above.

恒健會計師行有限公司
HLM CPA LIMITED
Certified Public Accountants

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

We have audited the consolidated financial statements of China Water Property Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 38 to 128, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the Group's state of affairs as at 31 December 2013, and of its profits and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLM CPA Limited
Certified Public Accountants
Ng Fai Fiona
Practising Certificate Number: P04986

Hong Kong, 25 March 2014

Consolidated Statement of Profit or Loss

For the year ended 31 December 2013

	NOTES	2013 HK$'000	2012 HK$'000
Continuing operations			
Turnover	7a	**368,265**	271,374
Cost of sales		**(243,833)**	(180,517)
Gross profit		**124,432**	90,857
Fair value gain in respect of investment properties revaluation	18	**34,260**	282,779
Gain on disposal of investment properties	18	**235,139**	–
Other operating income	7b	**1,821**	1,699
Selling and distribution expenses		**(18,906)**	(17,772)
Administrative expenses		**(128,792)**	(120,001)
Finance costs	8	**(31,358)**	(39,689)
Profit before tax		**216,596**	197,873
Income tax expense	10	**(78,798)**	(87,785)
Profit for the year from continuing operations	11	**137,798**	110,088
Discontinued operation			
Loss for the year from discontinued operation	12	**–**	(43,428)
Profit for the year		**137,798**	66,660
Profit for the year attributable to:			
Owners of the Company			
Profit for the year from continuing operations		**85,591**	91,906
Loss for the year from discontinued operation		**–**	(42,816)
Profit for the year attributable to owners of the Company		**85,591**	49,090
Non-controlling interests			
Profit for the year from continuing operations		**52,207**	18,182
Loss for the year from discontinued operation		**–**	(612)
Profit for the year attributable to non-controlling interests		**52,207**	17,570
Profit for the year		**137,798**	66,660
		HK Cents	HK Cents
Earnings per share	14		
From continuing and discontinued operations			
Basic		**4.66**	2.75
Diluted		**4.42**	2.70
From continuing operations			
Basic		**4.66**	5.15
Diluted		**4.42**	4.84

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
Profit for the year	**137,798**	66,660
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation	**29,319**	12,670
Items that will not be reclassified to profit or loss:		
Fair value gain in respect of properties prior to its reclassification as investment properties	**–**	7,930
Deferred taxation recognised on fair value change of properties prior to its reclassification as investment properties	**–**	(1,983)
Other comprehensive income for the year	**29,319**	18,617
Total comprehensive income for the year (net of tax)	**167,117**	85,277
Total comprehensive income attributable to:		
Owners of the Company	**112,014**	67,707
Non-controlling interests	**55,103**	17,570
	167,117	85,277

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

Consolidated Statement of Financial Position

At 31 December 2013

	NOTES	2013 HK$'000	2012 HK$'000
ASSETS			
Non-current assets			
Prepaid lease payments	15	**40,348**	–
Property, plant and equipment	16	**56,984**	69,964
Investment properties	18	**2,081,013**	2,079,012
Goodwill	19	**174,605**	174,605
Prepayment for acquisition of an intangible asset	20	**56,051**	22,724
Available-for-sale investment	21	**12,658**	–
		2,421,659	2,346,305
Current assets			
Inventories	22	**858**	938
Inventory of properties	23	**1,711,400**	1,456,297
Trade and other receivables	24	**496,912**	148,614
Prepaid tax		**264**	257
Prepaid lease payments	15	**18,988**	–
Bank balances and cash	25	**322,222**	124,986
Pledged bank deposits	25	**176,588**	51,953
		2,727,232	1,783,045
TOTAL ASSETS		**5,148,891**	4,129,350
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	34	**185,872**	180,872
Reserves		**1,581,130**	1,418,157
Equity attributable to owners of the Company		**1,767,002**	1,599,029
Non-controlling interests		**233,809**	169,316
TOTAL EQUITY		**2,000,811**	1,768,345

Consolidated Statement of Financial Position

At 31 December 2013

	NOTES	2013 HK$'000	2012 HK$'000
Non-current liabilities			
Deferred tax liabilities	37	**362,645**	388,708
Borrowings — due after one year	30	**604,060**	466,049
Convertible notes	31	**69,596**	66,932
Senior notes	32	**330,027**	–
Deposits received for sale and lease of properties — non-current portion	27	**39,211**	113,578
Deferred income — non-current portion	33	**2,929**	11,665
		1,408,468	1,046,932
Current liabilities			
Trade and other payables	26	**670,263**	523,488
Deposits received for sale and lease of properties — current portion	27	**134,601**	220,139
Tax payable		**114,948**	27,212
Amounts due to non-controlling shareholders of subsidiaries	28	**2,818**	10,354
Amounts due to related parties	29	**254,526**	162,766
Borrowings — due within one year	30	**561,139**	364,354
Deferred income — current portion	33	**1,317**	5,760
		1,739,612	1,314,073
TOTAL LIABILITIES		**3,148,080**	2,361,005
TOTAL EQUITY AND LIABILITIES		**5,148,891**	4,129,350
NET CURRENT ASSETS		**987,620**	468,972
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,409,279**	2,815,277

The consolidated financial statements on pages 38 to 128 were approved and authorised for issue by the board of directors on 25 March 2014 and are signed on its behalf by:

Duan Chuan Liang
DIRECTOR

Wang Wenxia
DIRECTOR

Statement of Financial Position

At 31 December 2013

	NOTES	2013 HK$'000	2012 HK$'000
ASSETS			
Non-current asset			
Interests in subsidiaries	17	**1,267,710**	918,313
Current assets			
Other receivables		**231**	231
Bank balances	25	**2,778**	6,761
Pledged bank deposit	25	**50,000**	50,000
		53,009	56,992
TOTAL ASSETS		**1,320,719**	975,305
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	34	**185,872**	180,872
Reserves	35	**617,223**	614,636
TOTAL EQUITY		**803,095**	795,508
Non-current liability			
Convertible notes	31	**69,596**	66,932
Senior notes	32	**330,027**	–
		399,623	66,932
Current liabilities			
Other creditors and accruals		**30,834**	21,165
Borrowing	30	**87,167**	91,700
		118,001	112,865
TOTAL LIABILITIES		**517,624**	179,797
TOTAL EQUITY AND LIABILITIES		**1,320,719**	975,305
NET CURRENT LIABILITIES		**(64,992)**	(55,873)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,202,718**	862,440

The financial statements on pages 38 to 128 were approved and authorised for issue by the board of directors on 25 March 2014 and are signed on its behalf by:

Duan Chuan Liang
DIRECTOR

Wang Wenxia
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Share capital HK$'000	Share premium HK$'000	Convertible notes equity reserve HK$'000	Share options reserve HK$'000	Special reserve HK$'000	PRC statutory reserve HK$'000	Property revaluation reserve HK$'000	Translations reserve HK$'000	Accumulated profits HK$'000	Attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2012	175,872	1,124,871	25,434	13,048	10,816	25,565	–	54,055	82,661	1,512,322	136,931	1,649,253
Profit for the year	–	–	–	–	–	–	–	–	49,090	49,090	17,570	66,660
Translation exchange differences	–	–	–	–	–	–	–	12,670	–	12,670	–	12,670
Fair value gain in respect of properties prior to its reclassification as investment properties	–	–	–	–	–	–	7,930	–	–	7,930	–	7,930
Deferred taxation recognised on fair value change of properties prior to its reclassification as investment properties	–	–	–	–	–	–	(1,983)	–	–	(1,983)	–	(1,983)
Total comprehensive Income for the year	–	–	–	–	–	–	5,947	12,670	49,090	67,707	17,570	85,277
Issue of shares	5,000	25,000	–	–	–	–	–	–	–	30,000	–	30,000
Disposals of subsidiaries	–	–	–	–	(11,000)	–	–	–	–	(11,000)	–	(11,000)
Incorporation of a non-wholly own subsidiary	–	–	–	–	–	–	–	–	–	–	14,815	14,815
As 31 December 2012 and 1 January 2013	180,872	1,149,871	25,434	13,048	(184)	25,565	5,947	66,725	131,751	1,599,029	169,316	1,768,345
Profit for the year	–	–	–	–	–	–	–	–	85,591	85,591	52,207	137,798
Translation exchange differences	–	–	–	–	–	–	–	26,423	–	26,423	2,896	29,319
Total comprehensive income for the year	–	–	–	–	–	–	–	26,423	85,591	112,014	55,103	167,117
Issue of shares	5,000	28,000	–	–	–	–	–	–	–	33,000	–	33,000
Equity-settled share-based payment	–	–	–	19,849	–	–	–	–	–	19,849	–	19,849
Release of property revaluation reserve upon disposal of investment properties	–	–	–	–	–	–	(5,947)	–	5,947	–	–	–
Non-controlling interests arising on the capital injection in a subsidiary	–	–	–	–	–	–	–	–	–	–	12,500	12,500
Deemed disposal of a subsidiary without a loss of control	–	–	–	–	–	–	–	–	3,110	3,110	(3,110)	–
As 31 December 2013	185,872	1,177,871	25,434	32,897	(184)	25,565	–	93,148	226,399	1,767,002	233,809	2,000,811

The special reserve represents:

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

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

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

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

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	NOTE	2013 HK$'000	2012 HK$'000
OPERATING ACTIVITIES			
Profit before tax from continuing operations		**216,596**	197,873
Loss before tax from discontinued operation	12	**–**	(43,242)
		216,596	154,631
Adjustments for:			
Interest expenses		**31,358**	40,268
Interest income		**(1,418)**	(663)
Depreciation of property, plant and equipment		**14,639**	20,138
Amortisation of prepaid lease payments		**3,906**	97
Equity-settled share-based payment		**19,849**	–
Loss on disposals of property, plant and equipment		**–**	3,774
Gain on disposal of investment properties		**(235,139)**	–
Gain on disposal of subsidiaries		**–**	(20,904)
Fair value gain in respect of investment properties revaluation		**(34,260)**	(282,779)
Impairment on property, plant and equipment		**–**	31,791
Write-off of property, plant and equipment		**294**	–
Write-off of inventories		**–**	62
Write-off of trade and other receivables		**–**	26,320
Operating cash flows before movements in working capital		**15,825**	(27,265)
Decrease (increase) in inventories		**104**	(877)
Increase in inventory of properties		**(136,639)**	(319,431)
Decrease in trade and other receivables		**201,524**	65,260
(Decrease) increase in trade and other payables		**(19,766)**	190,101
(Decrease) increase in deposits received for sale and lease of properties		**(168,354)**	84,731
Decrease in deferred income		**(13,620)**	(33,499)
Cash used in operations		**(120,926)**	(40,980)
Interest paid		**(99,026)**	(85,958)
Income tax paid		**(23,756)**	(110,511)
NET CASH USED IN OPERATING ACTIVITIES		**(243,708)**	(237,449)

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	NOTES	2013 HK$'000	2012 HK$'000
INVESTING ACTIVITIES			
Additions of investment properties		**(151,665)**	(85,604)
Additions of prepaid lease payments		**(62,500)**	–
Payment for acquisition of an intangible asset		**(32,752)**	(22,724)
Purchase of available-for-sale financial assets		**(12,658)**	–
Purchase of property, plant and equipment		**(404)**	(2,005)
Proceed from disposal of investment properties		**50,000**	–
Interest received		**1,418**	663
Net cash outflow on acquisition of subsidiaries	39	**–**	(5,996)
Net cash inflow on disposal of subsidiaries	40	**–**	7,714
NET CASH USED IN INVESTING ACTIVITIES		**(208,561)**	(107,952)
FINANCING ACTIVITIES			
New borrowings raised		**686,075**	797,370
Proceeds from issue of senior notes		**334,468**	–
Advances from related parties		**87,639**	47,178
Proceeds from issue of new shares		**33,000**	30,000
Contribution from non-controlling shareholders of a subsidiary		**12,500**	14,815
Repayment of borrowings		**(373,988)**	(471,190)
Repayment to non-controlling shareholders of subsidiaries		**(7,798)**	(49,336)
NET CASH GENERATED FROM FINANCING ACTIVITIES		**771,896**	368,837
NET INCREASE IN CASH AND CASH EQUIVALENTS		**319,627**	23,436
Effect of foreign exchange rate changes		**2,244**	1,269
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**176,939**	152,234
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**498,810**	176,939
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**322,222**	124,986
Pledged bank deposits		**176,588**	51,953
		498,810	176,939

1. GENERAL

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

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

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

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively, to as the "Group") are property development, property investment, hotel business and property management in the PRC. The Group was also engaged in production and distribution of snack food, convenient frozen food and other food products which was discontinued in 2012 (Details are set out in Note 12).

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

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle
Amendments to HKFRS 1	First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC)–Int 20	Stripping Costs in the Production Phase of a Surface Mine

The adoption of the new or revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods, except as described below. Accordingly, no prior period adjustment has been required.

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

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 Presentation of Items of Other Comprehensive Income. Upon the adoption of the amendments to HKAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed as the 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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

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

The adoption of amendments to HKAS 1 does not result in a change in the Group's accounting policy. The amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (i) items that will not be reclassified to profit or loss and (ii) items that may be classified subsequently to profit or loss when specific conditions are met.

New and revised HKFRSs issued but not yet effective

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

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010–2012 cycle[2]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011–2013 cycle[2]
HKFRS 9	Financial Instruments[4]
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date and Transition Disclosures[4]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities[1]
HKFRS 14	Regulatory Deferral Accounts[3]
HKAS 19 (Amendments)	Defined Benefit Plans: Employee Benefit Contributions[2]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[1]
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets[1]
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC)-Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised

Except as described below, the directors of the Company do not anticipate that the application of the above amendments will have a significant impact on the Group's consolidated financial statements.

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

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 are described as follows:

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

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

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

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

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

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

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

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

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units that is expected to benefit from the synergies of the combination.

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

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. (Revenue is reduced for estimated customer returns, rebates and other similar allowances.)

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

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

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

Management service income is recognised when management services are provided.

Deferred income

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

Investment in subsidiaries

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

Property, plant and equipment

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

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

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

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

Investment properties

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

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

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

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

Prepaid lease payments

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

If an item of prepaid lease payment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on first-in, first-out basis. 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 represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventory of properties

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

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

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

No depreciation is provided on properties under development.

Financial instruments

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

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

Financial assets

The Group's financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL") , available-for-sale ("AFS") financial assets, and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investment or (c) financial assets at FVTPL.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

AFS 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 investments are measured at cost less any identified impairment losses at the end of each reporting period,

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loan and receivables (including trade and other receivables, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. 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.

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

Other financial liabilities

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

Effective interest method

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Convertible notes

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

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

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

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

Derecognition

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition *(Continued)*

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

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amounts recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the time value of money is material).

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Equity-settled share-based payment transactions

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

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

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

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

Impairment losses on tangible and intangible assets other than goodwill

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses on tangible and intangible assets other than goodwill *(Continued)*

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

Leasing

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

The Group as lessor

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as ‘prepaid lease payments’ in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

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

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to cover or settle the carrying amount of its asset and liabilities.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

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

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

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

In addition, in relation to a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposal (i.e. partial disposal of associates or jointly arrangement that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Retirement benefit costs

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

Cash and cash equivalents

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(a) Depreciation and amortisation

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

(b) Estimated impairment on property, plant and equipment

Property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is determined with reference to the higher of fair value of the property, plant and equipment less costs to sell or the value-in-use calculations. An impairment loss is measured as the difference between the asset's carrying amount and the recoverable amount. Where the recoverable amount is less than expected, a material impairment loss may arise. As at 31 December 2013, no impairment loss recognised for property, plant and equipment (2012: HK$31,791,000).

(c) Allowance for doubtful debts

The Group's provision policy for bad and doubtful debts is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required. As at 31 December 2013, the carrying amount of trade receivable is approximately HK$12,425,000 (2012: approximately HK$7,676,000) (net of allowance for doubtful debts of approximately of none (2012: nil).

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

(d) Estimated impairment on goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash- generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than previously estimated, a material impairment loss may arise in the future period. As at 31 December 2013, the carrying amount of goodwill is approximately HK$174,605,000 (2012: approximately HK$174,605,000), net of accumulated impairment loss of none (2012: nil). Details of the recoverable amount calculation are disclosed in Note 19.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include borrowings, convertible notes, senior notes, trade and other receivables, available-for-sale investment, trade and other payables, amounts due to non-controlling shareholders of subsidiaries and amounts due to related parties. Details of these financial instruments are disclosed in respective notes.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk management

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

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

	Assets 2013 HK$'000	**Liabilities 2013 HK$'000**	Assets 2012 HK$'000	Liabilities 2012 HK$'000
Renminbi ("RMB")	**779,759**	**1,968,510**	261,647	1,413,930

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

Sensitivity analysis

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

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

	2013 **HK$'000**	2012 HK$'000
Decrease/increase in other comprehensive income	**59,438**	57,614

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 following table details the Group's contractual maturity for its non-derivative financial liabilities. The tables below have been drawn up based on the undiscounted contractual maturities of the financial liabilities based on the earliest date on which the Group be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

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

Liquidity risk management *(Continued)*

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

2013	Weight average interest rate	Within 1 month or on demand HK$'000	1–3 months HK$'000	3 months– 1 year HK$'000	1-5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
Trade and other payables	N/A	670,263	–	–	–	–	670,263	670,263
Amounts due to non-controlling shareholders of subsidiaries	N/A	2,818	–	–	–	–	2,818	2,818
Amount due to related parties	12%	2,545	5,091	277,433	–	–	285,069	254,526
Borrowings	8%	3,522	190,264	366,194	707,684	51,665	1,319,329	1,165,199
Convertible notes	7.55%	–	–	2,447	88,961	–	91,408	69,596
Senior notes	14.9%	–	–	43,750	437,500	–	481,250	330,027
		679,369	195,795	691,808	1,234,145	51,665	2,852,782	2,492,429

2012	Weight average interest rate	Within 1 month or on demand HK$'000	1-3 months HK$'000	3 months– 1 year HK$'000	1–5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
Trade and other payables	N/A	523,488	–	–	–	–	523,488	523,488
Amounts due to non-controlling shareholders of subsidiaries	N/A	10,354	–	–	–	–	10,354	10,354
Amount due to related parties	11.40%	1,545	3,090	176,671	–	–	181,306	162,766
Borrowings	7.10%	4,916	12,246	242,103	710,997	87,392	1,057,654	830,403
Convertible notes	7.55%	–	–	2,447	9,858	81,960	94,265	66,932
		540,303	15,336	421,221	720,855	169,352	1,867,067	1,593,943

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

Credit risk management

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2013 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow- up action is taken in time to recover overdue debts. In addition, management of the Group reviews regularly the recoverable amount of each individual trade debt to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management considers that the Group's credit risk is significantly reduced.

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

Interest rate risk management

The Group'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 or loss of a defined interest rate shift. For each simulation, the same interest rate shifts is useful for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

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

Sensitivity analysis

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

If interest rates have been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2013 would decrease/increase by approximately HK$2,290,000 (2012: decrease/increase by approximately HK$6,537,000).

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

Fair values measurement

(i) Financial instruments carried at fair value

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

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

At 31 December 2013 and 2012, there were no financial instruments carried at any level of the fair value hierarchy.

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

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2013 and 2012.

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

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

Estimation of fair value

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

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

(i) Available-for-sale investment, bank balances and cash, pledged bank deposits, trade and other receivables, trade and other payables, senior notes, amounts due to related parties and amounts due to non-controlling shareholders of subsidiaries.

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

(ii) Borrowings

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

(iii) Interest rates used for determining fair value

The Group uses the appropriate market yield curve or benchmark rate as of 31 December 2013 plus an appropriate constant credit spread to calculate the fair value of its interest bearing debt.

(iv) Convertible notes

Appropriate valuation methods and assumptions with reference to market conditions existing at the end of each reporting period to determine the fair value of the liability portion of the convertible bonds. The basis for determining the fair value is disclosed in Note 31.

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

Capital risk management

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

During the year ended 31 December 2013, the Group's strategy remained unchanged as compared to that of 2012. Management of the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debts divided by total assets.

The management considers the gearing ratio at the end of reporting period is as follows:

	2013 **HK$'000**	2012 HK$'000
Borrowings, net of bank balances and cash	**666,389**	653,464
Senior notes	**330,027**	–
Convertible notes	**69,596**	66,932
Total debts	**1,066,012**	720,396
Total assets	**5,148,891**	4,129,350
Total debts to total assets ratio	**0.21**	0.17

The increase in the gearing ratio during the year is resulted primarily from the new borrowings and senior notes raised for operations.

6. SEGMENT INFORMATION

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

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

The Group's operating segments are as follows:

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

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

— Hotel Business Segment engages in operation of hotel in the PRC

— Property Management Businesses Segment engages in provision of property management and other services in the PRC

The Group involved in production and distribution of snack food, convenient frozen food and other food products (the "discontinued operation"). This operation was discontinued with effect from 11 June 2012. The segment information reported does not included any amounts for the discontinued operation, of which are set out Note 12.

6. SEGMENT INFORMATION *(Continued)*

Segment revenues and results

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

For the year ended 31 December 2013

Continuing operations

	Property Development Business HK$'000	Property Investment Business HK$'000	Hotel Business HK$'000	Property Management Business HK$'000	Total HK$'000
TOTAL REVENUE AND EXTERNAL SALES	287,818	31,269	42,396	6,782	368,265
RESULT					
Segment operating results before impairment	33,375	14,256	(8,524)	(165)	38,942
Fair value gain in respect of investment properties revaluation	–	34,260	–	–	34,260
Gain on disposal of investment properties	–	235,139	–	–	235,139
Unallocated corporate income					305
Unallocated corporate expense					(60,692)
Finance costs					(31,358)
Profit before tax					216,596
Income tax expense					(78,798)
Profit for the year					137,798

6. SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

For the year ended 31 December 2012

Continuing operations

	Property Development Business HK$'000	Property Investment Business HK$'000	Hotel Business HK$'000	Property Management Business HK$'000	Total HK$'000
TOTAL REVENUE AND EXTERNAL SALES	180,140	51,343	33,034	6,857	271,374
RESULT					
Segment operating results before impairment	(6,608)	26,350	(13,310)	953	7,385
Fair value gain in respect of investment properties revaluation	–	282,779	–	–	282,779
Unallocated corporate income					236
Unallocated corporate expense					(52,838)
Finance costs					(39,689)
Profit before tax					197,873
Income tax expense					(87,785)
Profit for the year					110,088

6. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

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

Continuing operations

	Property Development Business		Property Investment Business		Hotel Business		Property Management Business		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
ASSETS										
Goodwill	**174,605**	174,605	**–**	–	**–**	–	**–**	–	**174,605**	174,605
Inventory of properties	**1,711,400**	1,456,297	**–**	–	**–**	–	**–**	–	**1,711,400**	1,456,297
Investment properties	**–**	–	**2,081,013**	2,079,012	**–**	–	**–**	–	**2,081,013**	2,079,012
Other assets	**387,454**	290,472	**433,247**	2,050	**109,680**	60,139	**1,525**	1,045	**931,906**	353,706
Segment assets	**2,273,459**	1,921,374	**2,514,260**	2,081,062	**109,680**	60,139	**1,525**	1,045	**4,898,924**	4,063,620
Unallocated corporate assets									**249,967**	65,730
Consolidated assets									**5,148,891**	4,129,350
LIABILITIES										
Segment liabilities	**2,081,234**	1,859,005	**322,384**	161,288	**4,633**	3,345	**3,847**	2,262	**2,412,098**	2,025,900
Unallocated corporate liabilities									**735,982**	335,105
Consolidated liabilities									**3,148,080**	2,361,005
OTHER INFORMATION										
Additions to property, plant and equipment	**252**	619	**–**	70	**4**	1,047	**148**	269	**404**	2,005
Depreciation of property, plant and equipment	**3,413**	3,458	**173**	173	**9,722**	9,460	**63**	50	**13,371**	13,141
Write-off of property, plant and equipment	**294**	–	**–**	–	**–**	–	**–**	–	**294**	–
Write-off of trade and other receivables	**–**	3,568	**–**	–	**–**	–	**–**	–	**–**	3,568
Additions to investment properties	**–**	–	**151,665**	431,419	**–**	–	**–**	–	**151,665**	431,419
Amortisation of prepaid lease payments	**–**	–	**3,906**	93	**–**	–	**–**	–	**3,906**	93

6. SEGMENT INFORMATION *(Continued)*

Geographical information

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

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

	Revenue from external customer		Non-current assets	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**–**	–	**734**	1,940
The PRC	**368,265**	271,374	**2,420,925**	2,344,365
	368,265	271,374	**2,421,659**	2,346,305

Information of major customers

The revenues from external customers are attributed to places on the basis of the customer's location. For the year ended 31 December 2013 and 2012, no single external customers accounted for 10% or more of the Group's consolidated turnover.

7. TURNOVER AND OTHER OPERATING INCOME

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

	2013	2012
	HK$'000	HK$'000
(a) Turnover		
Sales of properties	**287,818**	180,140
Rental income	**31,269**	51,343
Hotel operation income	**42,396**	33,034
Property management income	**6,782**	6,857
Total turnover	**368,265**	271,374
(b) Other operating income		
Interest income	**1,418**	636
Sundry income	**403**	1,063
Total other operating income	**1,821**	1,699

8. FINANCE COSTS

Continuing operations

	2013 HK$'000	2012 HK$'000
Interest expense on bank loans and other borrowings wholly repayable within five years	**112,799**	83,186
Effective interest expense on convertible notes (Note 31)	**5,111**	4,915
Effective interest expense on senior notes (Note 32)	**4,501**	–
	122,411	88,101
Less: amounts capitalised in the cost of qualifying assets (Note 23)	**(91,053)**	(48,412)
	31,358	39,689

The weighted average capitalisation rate on funds borrowed generally is 5.32 % per annum. (2012: 3.96% per annum)

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

	2013 HK$'000	2012 HK$'000
Directors' fees	**1,000**	897
Salaries and allowances	**10,393**	10,226
Discretionary bonuses	**5,000**	5,000
Retirement benefit scheme contributions	**55**	28
Equity-settled share-based payment	**16,456**	–
	32,904	16,151

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

(a) Directors' emoluments *(Continued)*

For the year ended 31 December 2013

Name of Director	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonuses HK$'000	Retirement benefit scheme contributions HK$'000	Equity-settled share-based payment HK$'000	Total HK$'000
EXECUTIVE DIRECTORS						
Ms. Wang Wenxia	180	4,440	1,800	15	4,037	10,472
Mr. Ren Qian	180	–	–	–	335	515
NON-EXECUTIVE DIRECTORS						
Mr. Duan Chuan Liang	300	5,417	3,200	15	11,281	20,213
Mr. Zhou Kun	100	536	–	25	335	996
INDEPENDENT NON-EXECUTIVE DIRECTORS						
Mr. Chan Pok Hiu	80	–	–	–	156	236
Mr. Wong Chi Ming	80	–	–	–	156	236
Mr. Wang Jian	80	–	–	–	156	236
	1,000	10,393	5,000	55	16,456	32,904

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

(a) Directors' emoluments *(Continued)*

For the year ended 31 December 2012

Name of Director	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonuses HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
EXECUTIVE DIRECTORS					
Ms. Wang Wenxia	165	4,440	2,200	14	6,819
Mr. Ren Qian	165	–	–	–	165
NON-EXECUTIVE DIRECTORS					
Mr. Duan Chuan Liang	270	5,416	2,800	14	8,500
Mr. Zhou Kun	90	370	–	–	460
INDEPENDENT NON-EXECUTIVE DIRECTORS					
Mr. Chan Pok Hiu	69	–	–	–	69
Mr. Wong Chi Ming	69	–	–	–	69
Mr. Wang Jian	69	–	–	–	69
	897	10,226	5,000	28	16,151

(b) Employees' emoluments

The five highest paid individuals for the year ended 31 December 2013 included three (2012: two) directors of the Company. The emoluments of the remaining two (2012: three) individuals are as follows:

	2013 HK$'000	2012 HK$'000
Salaries and other benefits	**2,148**	2,536
Retirement benefit schemes contributions	**30**	41
Equity-settled share-based payment	**571**	–
	2,749	2,577

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

(b) Employees' emoluments *(Continued)*

Their emoluments were within the following bands:

	2013 Number of employees	2012 Number of employees
HK$Nil to HK$1,000,000	**–**	2
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**1**	–
	2	3

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

10. INCOME TAX EXPENSE

Continuing operations

	2013 HK$'000	2012 HK$'000
The tax charge comprises:		
Current tax:		
Hong Kong Profits Tax	**–**	–
PRC Enterprise Income Tax ("EIT")	**65,756**	6,674
Land Appreciation Tax ("LAT") in the PRC		
Current year	**34,819**	10,416
Under provision in prior year	**10,228**	–
Current tax charge for the year	**110,803**	17,090
Deferred tax (credit) charge for the year (Note 37)	**(32,005)**	70,695
	78,798	87,785

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

The Group's PRC EIT is calculated based on the applicable tax rates on assessable profits, if applicable. PRC LAT is levied at the applicable tax rate on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

10. INCOME TAX EXPENSE *(Continued)*

Continuing operations *(Continued)*

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss as follows:

	2013 HK$'000	2012 HK$'000
Profit before tax from continuing operations	**216,596**	197,873
Tax at PRC EIT rate of 25% (2012: 25%)	**54,149**	49,468
Tax effect of expenses not deductible for tax purposes	**16,647**	28,080
Tax effect of income not taxable for tax purposes	**(2,842)**	(5,277)
Tax effect on tax losses not recognised	**525**	2,727
Utilisation of tax loss previously not recognised	**(40,570)**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**5,842**	2,371
LAT	**45,047**	10,416
Tax charge for the year (relating to continuing operations)	**78,798**	87,785

Income tax recognised directly in consolidated statement of changes in equity.

	2013 HK$'000	2012 HK$'000
Current tax:	**–**	–
Deferred tax:		
Attributable to the owners of the Company:		
Deferred tax recognised on fair value change of properties prior to its classification as investment properties	**–**	1,983
Total income tax recognised directly in equity	**–**	1,983

11. PROFIT FOR THE YEAR

Continuing operations

	2013 HK$'000	2012 HK$'000
Profit for the year from continuing operations has been arrived at after charging (crediting):		
Staff costs, including directors' emoluments	**53,971**	49,437
Equity-settled share-based payment	**19,849**	–
Retirement benefits scheme contributions, including contributions for directors	**1,605**	1,245
Total staff costs	**75,425**	50,682
Auditors' remuneration	**1,173**	1,200
Amortisation of prepaid lease payments	**3,906**	93
Depreciation of property, plant and equipment	**14,639**	19,053
Loss on disposal of property, plant and equipment	**–**	3,774
Write-off of property, plant and equipment	**294**	–
Write-off of trade and other receivables	**–**	3,568
Operating lease rental expenses in respect of rented premises	**28,229**	26,384

	2013 HK$'000	2012 HK$'000
Gross rental income from investment properties	**(31,269)**	(51,343)
Less: Direct operating expenses from investment properties that generate rental income during the year	**7,276**	5,475
	(23,993)	(45,868)

12. DISCONTINUED OPERATION

On 24 April 2012, the subsidiaries of the Company entered into a sale and purchase agreement (the "Agreement") to dispose their equity interests in Honfine Company Limited, Wah Yuen Foods (Hong Kong) Company Limited, Million Riches Development Limited and Wah Yuen Licensing Company Limited (hereafter collectively refer as "Sale Companies"), which are principally engaged in the distribution of food products, and dispose of machineries and inventories of certain subsidiaries of the Company, which are related to the production of food products and are mainly related to the business of the Sale Companies (collectively refer to as "Disposal Group"), to Auto Success Limited, a connected person of the Company under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") at a consideration of HK$25,000,000, subject to adjustments. (the "Disposals")

The Disposals were completed on 25 July 2012, on which the control of Sale Companies were passed to Auto Success Limited and the adjusted consideration was HK$16,336,000.

12. DISCONTINUED OPERATION *(Continued)*

The results of the discontinued operation during 1 January 2012 to 25 July 2012, which have been included in the profit or loss, were as follows:

	1.1.2012 to 25.7.2012 HK$'000
Turnover	12,099
Cost of sales	(10,241)
Gross profit	1,858
Selling, distribution and administrative expenses	(10,870)
Other operating income	50
Finance costs	(579)
Impairment on property, plant and equipment	(31,791)
Write-off of inventories	(62)
Write-off of trade and other receivables	(22,752)
Loss before tax from discontinued operation	(64,146)
Income tax expense	(186)
Loss for the period from discontinued operation	(64,332)
Net gain on disposal from discontinued operation (Note 40)	20,904
Total loss for the period from discontinued operation	(43,428)
Attributable to:	
Owners of the Company	(42,816)
Non-controlling interests	(612)
	(43,428)
Loss for the period from discontinued operation has been arrived at after charging (crediting):	
Staff costs	3,160
Retirement benefits scheme contributions	66
	3,226
Auditors' remuneration	–
Depreciation of property, plant and equipment	153
Amortisation of prepaid lease payments	4
Interest income	(50)
Cash flows from discontinued operation:	
Net cash inflow from operating activities	1,666
Net cash inflow from investing activities	3,335
Net cash outflow from financing activities	(6,609)
Cash outflow from discontinued operation	(1,608)

The carrying amounts of the assets and liabilities of Sale Companies at the date of disposal are disclosed in Note 40.

13. DIVIDENDS

The directors do not recommend the payment of a dividend for the years ended 31 December 2013 and 2012.

14. EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted earnings per share attributable is based on the earnings attributable to the owners of the Company of approximately HK$85,591,000 (2012: approximately HK$49,090,000) and on the weighted average ordinary share of 1,835,572,176 (2012: 1,784,065,327 shares) deemed to be in issue during the year.

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

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Earnings:		
Earnings for the purpose of basic earnings per share	**85,591**	49,090
Effect of dilutive potential ordinary shares:		
Interest on convertible notes	**5,111**	4,915
Earnings for the purpose of diluted earnings per share	**90,702**	54,005

	2013	2012
	share(s)	share(s)
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,835,572,176**	1,784,065,327
Effect of dilutive potential ordinary shares:		
Convertible notes	**215,683,682**	215,683,682
Share options	**2,829,640**	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**2,054,085,498**	1,999,749,009

14. EARNINGS PER SHARE *(Continued)*

From continuing operations

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Profit for the year attributable to owners of the Company:	**85,591**	49,090
Less:		
Loss for the year from discontinued operation	**–**	(42,816)
Earnings for the purpose of basic earnings per share	**85,591**	91,906
Effect of dilutive potential ordinary shares:		
Interest on convertible notes	**5,111**	4,915
Earnings for the purpose of diluted earnings per share	**90,702**	96,821

From discontinued operation

It has no discontinued operation during year 2013 and no earnings per share provided accordingly. For the year ended 31 December 2012, basic loss per share for the discontinued operation was HK2.40 cents, based on the loss for the year from the discontinued operation of HK$42,816,000 and the denominators detailed above for basic loss per share. Diluted loss per share was not presented because the impact of the conversion of convertible notes and the exercise of share options were anti-dilutive.

15. PREPAID LEASE PAYMENTS

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

	2013 HK$'000	2012 HK$'000
COST		
At 1 January	–	4,025
Addition	62,500	–
Surplus on revaluation on reclassification and transfer	–	5,564
Transfer to investment properties (Note 18)	–	(9,259)
Derecognised on disposal of a subsidiary (Note 40)	–	(375)
Exchange difference	791	45
At 31 December	63,291	–
ACCUMULATED AMORTISATION		
At 1 January	–	2,409
Reverse of amortisation on revaluation	–	(2,366)
Derecognised on disposal of a subsidiary (Note 40)	–	(168)
Amortisation for the year	3,906	97
Exchange difference	49	28
At 31 December	3,955	–
CARRYING AMOUNTS		
At 31 December	59,336	–

15. PREPAID LEASE PAYMENTS *(Continued)*

The land use rights and leasehold land of the Group as at 31 December 2013 and 2012 are held on medium term leases and situated on the PRC.

Analysed for reporting purposes as:

	2013 **HK$'000**	2012 HK$'000
Current assets	**18,988**	–
Non-current assets	**40,348**	–
	59,336	–

For the year ended 31 December 2012, the valuation was made by RHL Appraisal Limited, independent qualified professional valuers not connected to the Group. RHL Appraisal Limited is a member of the Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experience in the valuation of properties in relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The fair value gain on revaluation of approximately HK$7,930,000 was recognised in other comprehensive income.

16. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Buildings HK$'000	Furniture and equipment HK$'000	Leasehold Improvement for hotel operation HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Loose tools and moulds HK$'000	Total HK$'000
COST							
At 1 January 2012	42,870	33,908	63,362	23,119	70,085	189	233,533
Additions	209	1,796	–	–	–	–	2,005
Disposals	–	(189)	–	(57)	(9,195)	–	(9,441)
Derecognised on disposal of subsidiaries	(2,953)	(16,004)	–	(4,470)	(40,251)	(189)	(63,867)
Exchange difference	507	282	793	146	787	–	2,515
At 31 December 2012 and 1 January 2013	40,633	19,793	64,155	18,738	21,426	–	164,745
Additions	–	341	–	63	–	–	404
Disposals	–	(9)	–	–	–	–	(9)
Write-off	–	(686)	–	–	–	–	(686)
Exchange difference	1,029	455	1,624	411	533	–	4,052
At 31 December 2013	41,662	19,894	65,779	19,212	21,959	–	168,506
DEPRECIATION AND IMPAIRMENT							
At 1 January 2012	20,740	24,952	751	9,259	44,755	189	100,646
Provide for the year	1,243	3,239	9,165	3,156	3,335	–	20,138
Eliminated on disposals	–	(14)	–	(57)	(5,596)	–	(5,667)
Derecognised on disposal of subsidiaries	(1,860)	(15,821)	–	(4,470)	(30,702)	(189)	(53,042)
Impairment losses recognised in profit or loss upon discontinued operation	20,029	2,477	–	123	9,162	–	31,791
Exchange difference	236	150	9	48	472	–	915
At 31 December 2012 and 1 January 2013	40,388	14,983	9,925	8,059	21,426	–	94,781
Provide for the year	138	1,954	9,280	3,267	–	–	14,639
Eliminated on disposals	–	(9)	–	–	–	–	(9)
Write-off	–	(392)	–	–	–	–	(392)
Exchange difference	1,024	365	369	212	533	–	2,503
At 31 December 2013	41,550	16,901	19,574	11,538	21,959	–	111,522
CARRYING AMOUNTS							
At 31 December 2013	112	2,993	46,205	7,674	–	–	56,984
At 31 December 2012	245	4,810	54,230	10,679	–	–	69,964

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

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

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

Details of the pledged of property, plant and equipment as at 31 December 2013 and 2012 are set out in Note 41.

17. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2013	2012
	HK$'000	HK$'000
Unlisted shares, at cost	**74,772**	74,772
Amounts due from subsidiaries	**1,650,195**	1,290,685
Amounts due to subsidiaries	**(457,257)**	(447,144)
	1,267,710	918,313

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

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

Particulars of the Company's principal subsidiaries as at 31 December 2013 and 2012 are set out in Note 47.

18. INVESTMENT PROPERTIES

	Investment properties in the PRC HK$'000	Investment properties under redevelopment in the PRC (note) HK$'000	Investment properties under development in the PRC HK$'000	Total HK$'000
At fair value				
At 1 January 2012	1,339,024	–	–	1,339,024
Transfer from prepaid lease payments (Note 15)	–	9,259	–	9,259
Transferred from inventory of properties (Note 23)	–	–	345,815	345,815
Additions	16,345	69,259	–	85,604
Fair value change recognised in profit or loss	52,792	152,345	77,642	282,779
Exchange difference	16,531	–	–	16,531
At 31 December 2012 and 1 January 2013	1,424,692	230,863	423,457	2,079,012
Additions	23,410	–	128,255	151,665
Disposal	–	(233,750)	–	(233,750)
Fair value change recognised in profit or loss	(154,660)	–	188,920	34,260
Transfer upon completion	753,164	–	(753,164)	–
Exchange difference	34,407	2,887	12,532	49,826
At 31 December 2013	2,081,013	–	–	2,081,013

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

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

Details of the pledged investment properties as at 31 December 2013 and 2012 are set out in Note 41.

note: Approval-in-principle has been given to the Group to change the use of the land in Guangzhou from industrial use to residential-commercial use during year 2012. As a result, the land has been reclassified as investment property under redevelopment. The payment of 30% of the market value of the land interest after the change in use is effected. According to the tendering results published by Guangzhou Municipal Land Resources and Housing Administrative Bureau on 15 September 2013, the land was successfully bided by an independent third party at a consideration of approximately HK$597,500,000 and the Group record a net gain of approximately HK$235,139,000.

18. INVESTMENT PROPERTIES *(Continued)*

Fair value measurement of the Group's investment properties

The fair value of the Group's investment properties as at 31 December 2013 and 2012 has been arrived at on the basis of a valuation carried out on the respective dates by Messrs Peak Vision Appraisals Limited, independent qualified professional valuers not connected to the Group who have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

The valuation of investment properties in Wuhan was arrived at with adoption of the investment approach by taking into account the current rents passing and the reversionary income potential of the tenancies. For the portions of the property which are currently vacant or self-occupied, the valuation was arrived by capitalisation of the hypothetical prevailing market rents with a typical lease term.

The valuation of investment properties in Hangzhou was arrived at with adoption of direct comparison method assuming the property is capable of being sold in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales evidence as available in the relevant markets.

There has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2013 are as follows:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Fair value as at 31/12/2013 HK$'000
Investment properties in the PRC	–	–	2,081,013	2,081,013

There were no transfers into or out of Level 3 during the year.

18. INVESTMENT PROPERTIES *(Continued)*

Fair value measurement of the Group's investment properties *(Continued)*

The following table gives information about how the fair values of the major investment properties are determined (in particular, the valuation techniques and inputs used).

Investment properties held by the Group	Valuation techniques	Significant unobservable inputs	Relationship of unobservable inputs for fair value
Future City Shopping Centre in Wuhan	Investment approach	Estimated market unit rent per square metre and per month (RMB): 68–182	The increase in the market unit rent would result in an increase in fair value.
Commercial part of Mei Lai International Centre in Hangzhou	Direct comparison method	Estimated market unit sales price per square metre (RMB): 10,500–26,000	The increase in the market unit sales price would result in an increase in fair value.

19. GOODWILL

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

The amount of goodwill capitalised as an asset in the consolidated statement of financial position, arising from business combination and the carrying amounts of goodwill was as follows:

	Property Development Business HK$'000
COST	
At 1 January 2012, 31 December 2012, 1 January 2013 and 31 December 2013	174,605
IMPAIRMENT	
At 1 January 2012, 31 December 2012, 1 January 2013 and 31 December 2013	–
CARRYING AMOUNTS	
At 31 December 2013	174,605
At 31 December 2012	174,605

Impairment testing on Goodwill

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

Property development

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

The recoverable amount of property development unit have been determined based on a value in use calculation represented by the management using cash flow projections based on financial budgets covering a five-year period. The discount rate applied to the cash flow projections is 9.44%. Cash flow beyond the five-year period is determined by extrapolation from the average growth rate with specific risks relating to property development in the PRC. Other key assumptions for the value in use calculation relate to the estimation of cash receipts and outlays including budgeted sales and gross margin.

19. GOODWILL *(Continued)*

Property development *(Continued)*

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

The value calculated by using the discount rate is higher than the carrying amount of the CGU; accordingly, the management of the Group determined that there is no impairment of its goodwill at 31 December 2013.

20. PREPAYMENT FOR ACQUISITION OF AN INTANGIBLE ASSET

The Group entered into an agreement with an independent third party, who granted a construction right to the Group, to construct at her own cost a hotel which is located at Nanjing, the PRC, in return for the grant of an operational right of the hotel for a period of thirty years upon the completion of hotel construction. The construction has been started and is expected to last for two to three years. The payments made in the hotel construction will be reclassified as hotel operation right upon completion of the hotel construction.

21. AVAILABLE-FOR-SALE INVESTMENT

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Unlisted equity security at cost	**12,658**	–

The above unlisted equity investment represents the investment in Beijing Huangcheng Club & Culture Company Limited*, a limited liability company established in the PRC. It is measured at cost less impairment at each end of reporting period because the range of reasonable fair value estimates is so significant that the directors are of the opinion that its fair value cannot be reliably measured.

At 31 December 2013, the Group owned 10% of the paid-in capital of the investee. The directors consider that the carrying amount of the investment approximates to their fair value.

* *For identification purpose only*

22. INVENTORIES

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Consumables	**858**	938

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

23. INVENTORY OF PROPERTIES

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Beginning of the year	**1,456,297**	1,213,864
Construction costs incurred	**319,846**	301,034
Capitalisation of interest (Note 8)	**91,053**	48,412
Acquisition of a subsidiary	**–**	352,063
Recognition of cost of sales	**(183,207)**	(122,929)
Transfer to investment properties (Note 18)	**–**	(345,815)
Exchange difference	**27,411**	9,668
	1,711,400	1,456,297

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Properties under development	**1,130,267**	1,159,688
Properties held for sale	**581,133**	296,609
	1,711,400	1,456,297

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

Details of the pledged inventories of properties as at 31 December 2013 and 2012 are set out in Note 41.

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

24. TRADE AND OTHER RECEIVABLES

	THE GROUP 2013 HK$'000	2012 HK$'000
Trade receivables	**12,425**	7,676
Less: Allowance for doubtful debts	**–**	–
	12,425	7,676
Prepayments for construction work	**44,893**	103,841
Receivable on disposal of subsidiaries	**879**	2,731
Receivable on disposal of investment properties	**372,911**	–
Other receivables, prepayments and other deposits (note)	**65,804**	34,366
	496,912	148,614

note: Other receivables, prepayments and other deposits included an amount of approximately HK$15,050,000 and approximately HK$8,658,000 (2012: approximately HK$12,690,000 and HK$nil) for the repair and maintenance deposit paid to the government and utility deposit and amount due from non-controlling shareholder of a subsidiary respectively.

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

	THE GROUP 2013 HK$'000	2012 HK$'000
Within 90 days	**11,704**	7,196
91 to 180 days	**213**	229
Over 180 days	**508**	251
	12,425	7,676

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

Considerations in respect of properties sold are received in accordance with the terms of the related sales and purchase agreements, certain portion are received on or before the date of delivery of the properties to customers which is recorded as deposits received for sale of properties and the remaining balance are normally settled within 1–3 months from date of delivery of the properties to the customers under the sales and purchase agreements.

Rental income from investment properties is received in accordance with the terms of the relevant lease agreements, normally within 1–3 months from the issuance of invoices for customers.

24. TRADE AND OTHER RECEIVABLES *(Continued)*

The average credit period on sales of goods was 90 days. The Group normally provides fully for those receivables overdue over 365 days and has no material transactions with the Group during the year. Allowances for doubtful debts are recognised based on estimated irrecoverable amounts determined by reference to past default experiences of the counterparty and an analysis of the counterparty's current financial position. When the Group was satisfied that no recovery of the amount owing is possible, the amount considered irrecoverable was written off against the financial asset and provided for in the profit or loss accordingly and have no material transactions with the Group during the year. The Group did not hold any collateral over these balances.

The following table shows the amount of receivable which are past due but not impaired as the balances related to debtors with sound repayment history and there has not been a significant change in credit quality and the amounts are still considered recoverable.

Age of receivables that are past due but not impaired

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Overdue by:		
1–30 days	**213**	229
31–60 days	**508**	251
	721	480

Movement in allowance for doubtful debts

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Balance at beginning of the year	**–**	–
Amounts written off as uncollectible	**–**	–
Balance at end of the year	**–**	–

25. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank balances and cash	**322,222**	124,986	**2,778**	6,761
Pledged bank deposits (Note 41)	**176,588**	51,953	**50,000**	50,000
	498,810	176,939	**52,778**	56,761

Bank balances carry interest at market rates which range from 0.01% to 0.35% (2012: 0.01% to 0.35%) per annum. The pledged bank deposits carry interest rate from 0.02% to 0.385% (2012: 0.02%) per annum.

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

26. TRADE AND OTHER PAYABLES

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

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Within 90 days	**291,237**	179,664
91 to 180 days	**1,139**	70
Over 180 days	**20,906**	25,944
Trade payables	**313,282**	205,678
Interest payables	**52,743**	19,136
Accrued expenses	**22,100**	19,674
Other tax payable	**10,667**	27,340
Properties under redevelopment consideration payable (note a)	**–**	69,259
Other payables (note b)	**271,471**	182,401
	670,263	523,488

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

The average credit period of trade payables is three to six months. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

26. TRADE AND OTHER PAYABLES *(Continued)*

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

notes:

(a) The amount as at 31 December 2012 represented consideration payable to relevant PRC authorities for the change of the use of land located in Guangzhou from industrial use to commercial-residential use. To the best knowledge and information to directors and in accordance with the relevant requirement, a consideration payable is based on 30% of the market value of the land, which is determined by the relevant PRC authorities.

(b) The other payables included approximately HK$116,491,000 and HK$16,363,000 (2012: approximately HK$137,318,000 and HK$9,630,000), being advances from independent third parties and deposit received from vendor for construction work respectively. The amounts from independent third parties are unsecured, non-interest bearing and repayable on demand.

27. DEPOSITS RECEIVED FOR SALE AND LEASE OF PROPERTIES

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

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Deposits received for sale of properties	**128,485**	207,775
Deposits received for lease of properties	**45,327**	125,942
	173,812	333,717
Less: Amounts shown under current liabilities	**(134,601)**	(220,139)
Amounts shown under non-current liabilities	**39,211**	113,578

28. AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

The amounts are unsecured, non-interest bearing and repayable on demand. The directors consider that the carrying amount of amounts due approximate to their fair value.

29. AMOUNTS DUE TO RELATED PARTIES

The amounts due to shareholder's subsidiaries are unsecured, interest bearing at 12-15% per annum and repayable within one year. The directors consider that the carrying amount of amounts due approximate to their fair value.

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Shareholder's subsidiaries				
Unsecured and interest bearing at 12–15% per annum and repayable within one year	**249,255**	137,962	**–**	–
Unsecured and non-interest bearing, and repayable on demand	**5,271**	24,804	**–**	–
	254,526	162,766	**–**	–

30. BORROWINGS

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank loans	**1,079,389**	786,144	**87,167**	91,700
Other loans	**85,810**	44,259	**–**	–
	1,165,199	830,403	**87,167**	91,700
Analysis as:				
Secured	**1,067,539**	744,444	**50,000**	50,000
Unsecured	**97,660**	85,959	**37,167**	41,700
	1,165,199	830,403	**87,167**	91,700
Carrying amount repayable				
Within one year	**561,139**	364,354	**87,167**	91,700
More than one year, but not exceeding two years	**335,073**	55,556	**–**	–
More than two years, but not more than five years	**221,519**	333,333	**–**	–
More than five years	**47,468**	77,160	**–**	–
	1,165,199	830,403	**87,167**	91,700
Less: Amounts due within one year shown under current liabilities	**(561,139)**	(364,354)	**(87,167)**	(91,700)
	604,060	466,049	**–**	–

The bank loans and other loans carry interest at the prevailing market rates.

According to HK-Int 5 which requires the classification of whole term loans containing the repayment on demand clause as current liabilities, the aggregate carrying amounts of HK$37,167,000 (2012: HK$33,500,000) have been reclassified from non-current liabilities to current liabilities as at 31 December 2013.

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

30. BORROWINGS *(Continued)*

The exposure of the Group's fixed rate borrowings and the contractual maturity dates (or reset dates) are as follows:

	2013 **HK$'000**	2012 HK$'000
Fixed rate borrowing:		
— Within one year	**379,481**	44,259
— More than one year, but not exceeding two years	**240,506**	–
	619,987	44,259

The variable interest rate borrowings are reset from a month to a year depending on the loan agreement.

Fixed rate borrowings carry interest rate at rates which range from 2.89% to 20% (2012: 8% to 20%) per annum, while the variable rate borrowings carry interest rate at rates which range from 4.21% to 8.84% (2012: 6.56% to 8.31%) per annum.

The Group's borrowings that are denominated in currencies other than functional currencies of the relevant group entities are set out below:

	2013 **RMB'000**	2012 RMB'000
Currency — RMB	**851,646**	598,350

31. CONVERTIBLE NOTES

Convertible notes due on 13 November 2017

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

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

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

Carrying amount of liability components of 2017 Notes

	THE GROUP AND THE COMPANY Total HK$'000
At 1 January 2012	64,464
Interest charged (Note 8)	4,915
Interest paid	(2,447)
As 31 December 2012 and 1 January 2013	66,932
Interest charged (Note 8)	5,111
Interest paid	(2,447)
At 31 December 2013	69,596

32. SENIOR NOTES

On 28 November 2013, the Company issued senior notes with principal amount of HK$350,000,000 at an offer price of 98.78% of the face value of the notes (the "Senior Notes"). The Senior Notes bear interest at 12.5% per annum payable semi-annually in arrears and are due on 28 November 2016. The Senior Notes are listed on The Stock Exchange of Hong Kong Limited. The Senior Notes are carrying effective interest rate of 14.9% per annum. Interest expenses of approximately HK$4,501,000 (2012: nil) was charged to profit or loss for the year ended 31 December 2013.

The directors consider the carrying amount of Senior Notes approximate their fair value.

The Senior Notes are general obligation of the Company and senior in right of payment to any existing and future obligations of the Company and its subsidiaries, which are expressly subordinated in right of payment to the Senior Notes.

The Senior Notes and the guarantees provided by the certain subsidiaries may limit the ability of the Company and certain of its subsidiaries to, among other things (and subject to certain qualifications and exceptions), incur additional indebtedness and issue preferred stock, or make certain investments.

For the benefit of the holders of the Notes, the Company has pledged the capital stock of certain non-PRC subsidiaries to secure the obligations of the Company under the Senior Notes.

The Senior Notes may be redeemed under the following circumstances, including (1) when the Senior Notes are due; (2) a change of control of the Company (as defined in the terms and conditions of the Senior Notes); (3) a change in the relevant tax laws or treaties or a change in the application or official interpretation of such tax laws or treaties; or (4) a repurchase by the Company on the open market.

33. DEFERRED INCOME

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Arising from rental income	**4,246**	17,425
Analysed for reporting purpose as		
Current liabilities	**1,317**	5,760
Non-current liabilities	**2,929**	11,665
	4,246	17,425

34. SHARE CAPITAL

	THE GROUP AND THE COMPANY	
	Number of ordinary shares HK$0.1 each	Amount HK$'000
Authorised:		
At 1 January 2012, 31 December 2012, 1 January 2013 and 31 December 2013	5,000,000,000	500,000
Issued and fully paid:		
At 1 January 2012	1,758,722,861	175,872
Issue of shares (note a)	50,000,000	5,000
At 31 December 2012 and 1 January 2013	1,808,722,861	180,872
Issue of shares (note b)	50,000,000	5,000
At 31 December 2013	1,858,722,861	185,872

notes:

(a) On 29 June 2012, 50,000,000 shares were issued by the Company as a result of a subscription agreement dated 14 June 2012. Shares were issued at a price of HK$0.6 giving the gross proceeds of HK$30,000,000 for general working capital of the Company.

(b) On 19 June 2013, 50,000,000 shares were issued by the Company as a result of a subscription agreement dated 6 June 2013. Shares were issued at a price of HK$0.66 giving the gross proceeds of HK$33,000,000 for general working capital of the Company.

35. RESERVES

THE COMPANY

	Share premium HK$'000	Contributed surplus HK$'000	Convertible notes equity reserve HK$'000	Share options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2012	1,124,871	71,463	25,434	13,048	(625,006)	609,810
Issue of shares	25,000	–	–	–	–	25,000
Loss for the year	–	–	–	–	(20,174)	(20,174)
At 31 December 2012 and 1 January 2013	1,149,871	71,463	25,434	13,048	(645,180)	614,636
Issue of shares	28,000	–	–	–	–	28,000
Equity-settled share-based payment	–	–	–	19,849	–	19,849
Loss for the year	–	–	–	–	(45,262)	(45,262)
At 31 December 2013	1,177,871	71,463	25,434	32,897	(690,442)	617,223

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

The Company's reserves available for distribution to its shareholders comprise of share premium, contributed surplus, convertible notes equity reserve, share options reserve and accumulated losses which in aggregate amounted to approximately HK$617 million as at 31 December 2013 (2012: approximately HK$615 million). Under the Companies Law (Revised) of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the payment of distributions or dividends, the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's Articles of Association, dividends shall be payable out of retained earnings or other reserves, including the share premium account, of the Company.

36. 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 above Scheme expired during the year and replaced by a new share option scheme ("2013 Option Scheme") which approved at the annual general meeting of the Company held on 18 June 2013.

36. SHARE OPTION SCHEME *(Continued)*

The following table discloses details of the Company's options under the Scheme held by directors and employees and the movements during the year ended 31 December 2013:

Category	Date of grant	Exercise price HK$	Exercisable period DD/MM/YYYY	At 1 January 2013	Granted during the year	Exercised during the year	Expired during the year	Lapsed during the year	Outstanding at 31 December 2013
Directors	03/11/2010	0.9602	03/11/2010 to 02/11/2020	25,590,526	–	–	–	–	25,590,526
Director	23/04/2013	0.5980	23/04/2013 to 22/04/2023	–	54,262,000	–	–	–	54,262,000
Directors, employees and consultants	29/05/2013	0.6400	29/05/2013 to 28/05/2023	–	42,787,228	–	–	–	42,787,228
				25,590,526	97,049,228	–	–	–	122,639,754

The following table discloses details of the Company's options under the Scheme held by directors and employees and the movements during the year ended 31 December 2012:

Category	Date of grant	Exercise price HK$	Exercisable period DD/MM/YYYY	At 1 January 2012	Exercised during the year	Expired during the year	Lapsed during the year	Outstanding at 31 December 2012
Directors	03/11/2010	0.9602	03/11/2010 to 02/11/2020	25,590,526	–	–	–	25,590,526

The Group issues equity-settled share-based payments to directors, certain employees and consultant. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. Options granted during the year of 2010 and 2013 vested at the date of grant.

During the year ended 31 December 2013, the Group incurred share option expenses of approximately HK$19,849,000 (2012: nil).

36. SHARE OPTION SCHEME *(Continued)*

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

1. an expected volatility was 40.638%;

2. expected no annual dividend yield;

3. the estimated expected life of the options granted in range (10 years); and

4. the risk free rate was 2.133%.

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

The fair value of the share options granted during the year measured as at 23 April 2013 and 29 May 2013 was HK$11,281,000 and HK$8,568,000 respectively. The following significant assumptions were used to derive the fair value using the Black-Scholes model with Trinomial Tree method:

1. an expected volatility was 33.2115% and 33.1596% respectively;

2. expected no annual dividend yield;

3. the estimated expected life of the options granted in range (10 years); and

4. the risk free rate was 1.2551% and 1.4563% respectively.

The Black-Scholes model with Trinomial Tree method 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.

37. DEFERRED TAX LIABILITIES

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

	Revaluation on investment properties HK$'000	Revaluation gain arising from business combination HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
At 1 January 2012	175,867	104,223	354	280,444
Exchange difference	2,170	–	–	2,170
Acquisition of a subsidiary	–	33,770	–	33,770
Disposal of subsidiaries	–	–	(354)	(354)
Charged to the consolidated statement of profit or loss for the year (Note 10)	70,695	–	–	70,695
Charged to the consolidated other comprehensive income for the year	1,983	–	–	1,983
At 31 December 2012 and 1 January 2013	250,715	137,993	–	388,708
Exchange difference	5,942	–	–	5,942
Credited to the consolidated statement of profit or loss for the year (Note 10)	(32,005)	–	–	(32,005)
At 31 December 2013	224,652	137,993	–	362,645

As at 31 December 2013 and 2012, the Group had no deferred tax asset recognised due to the unpredictability of future profit streams.

Pursuant to the PRC Corporate Income Tax Law dependent upon the nationality and domicile of the foreign investors, a 5% to 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement has become effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rates range from 5% to 10%.

37. DEFERRED TAX LIABILITIES *(Continued)*

At 31 December 2013, the unrecognised deferred tax liabilities were approximately HK$11,716,000 (2012: approximately HK$10,871,000), relating to withholding tax that would be payable for undistributed profits of PRC subsidiaries, as the directors consider that the timing for reversed of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. The total undistributed profits of theses PRC subsidiaries as at 31 December 2013 amounted to approximately HK$117,156,000 (2012: approximately HK$108,717,000).

38. RETIREMENT BENEFITS SCHEME

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

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

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

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

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

39. BUSINESS COMBINATION

Acquisition of a subsidiary

On 6 January 2011, Water Property Hubei Group Limited*, a wholly owned subsidiary of the Company, entered into an agreement with Wuhan Hailuo Commercial Investment Management Co. Ltd.* to acquire 100% of the entire equity interest of Wuhan Zhong Nan Automobile Parts and Accessories Company Limited* ("Target Company"), a PRC company principally holding a land use right in Wuhan Economic and Technological Development Zone.

Since the acquisition was completed in May 2012, the Target Company became a wholly owned subsidiary of the Company thereafter.

	31 May 2012 HK$'000
The fair value of the identified assets and liabilities of the Target Company recognised at the date of acquisition are as follows:	
Inventory of properties	352,063
Bank balances	177
Other payables	(29,159)
Amounts due to the acquirer	(141,325)
Borrowings	(18,355)
Deferred tax liabilities	(33,770)
Total identifiable net asset at fair value	129,631
Total consideration satisfied by:	
Deposit paid on acquisition of a subsidiary	121,951
Exchange difference	1,507
Cash paid on acquisition of a subsidiary	6,173
	129,631
Net cash outflow arising on acquisition:	
Cash consideration paid	(6,173)
Bank balances acquired	177
Net cash outflow of cash and cash equivalents in respect of the acquisition	(5,996)

* For identification purpose only.

40. DEEMED DISPOSAL OF A SUBSIDIARY WITHOUT A LOSS OF CONTROL/ DISPOSAL OF SUBSIDIARIES

(a) Deemed disposal of a subsidiary without a loss of control

During the year ended 31 December 2013, an indirect wholly owned subsidiary of the Company, Jiangsu Hohai Property Development Company Limited*, increased it registered capital from RMB20,000,000 to RMB28,333,333 and increased capital was subscribed by an independent third party at a cash consideration of RMB10,000,000. Upon the completion of the subscription, the equity interests in Jiangsu Hohai Property Development Company Limited* held by the Group decreased from 100% to 70.59%, and a gain on deemed disposal of Jiangsu Hohai Property Development Company Limited* of approximately HK$3,110,000 was recognised in reserve.

(b) Disposal of subsidiaries

During the year ended 31 December 2012, the Group disposed of its entire interests in Sales Companies and related assets as stated in Note 12.

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

	2012 HK$'000
Property, plant and equipment	10,825
Prepaid lease payment	207
Inventories	4,417
Trade and other receivables	8,568
Bank balances and cash	891
Trade and other payables	(18,089)
Taxation payables	(33)
Deferred tax liability	(354)
	6,432
Release of special reserve	(11,000)
Gain on disposal	20,904
Total consideration	16,336

	2012 HK$'000
Consideration received in cash	16,336
Less: consideration received in advance	(5,000)
Less: other receivables	(2,731)
Less: cash disposed of	(891)
Net cash inflow arising on the disposal	7,714

note: With reference to the announcement dated 24 May 2012, a gain on disposal of subsidiaries, machineries and inventories of approximately HK$400,000 was stated. The net gain of HK$20,904,000 recorded in consolidated result included valuation surplus from property, plant and equipment and prepaid lease payment and release of special reserve, which gave rise the difference with the amount stated in the announcement.

* For identification purpose only.

41. PLEDGE OF ASSETS

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

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Land and buildings together with relevant land use rights situated in the PRC	**1,057,295**	466,844	**–**	–
Investment properties situated in the PRC	**2,081,013**	1,424,692	**–**	–
Investment properties under development situated in the PRC	**–**	423,457	**–**	–
Investment properties under redevelopment situated in the PRC	**–**	230,863	**–**	–
Bank deposits	**176,588**	51,953	**50,000**	50,000
	3,314,896	2,597,809	**50,000**	50,000

42. OPERATING LEASES

The Group as lessee

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

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Within one year	**27,993**	25,328
In the second to fifth years inclusive	**94,508**	118,684
	122,501	144,012

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

42. OPERATING LEASES *(Continued)*

The Group as lessee *(Continued)*

On 22 July 2013, the Joint Venture Agreement was entered into between Shenzhen Zhongshui Property Company Limited* ("Zhongshui Property"), an indirect wholly owned subsidiary of the Company, and Beijing Huangcheng Club & Culture Company Limited* ("Huangcheng Club") , pursuant to which the joint venture company (the "Joint Venture Company") will be established in Beijing, the PRC. The purpose of establishing the Joint Venture Company is to develop and operate the land parcel B14 in Qianmen Avenue, Beijing (the "Leased Land") and the premises. The Joint Venture Company will be established in Beijing, the PRC and will be owned as to 70% and 30% by each of Zhongshui Property and Huangcheng Club respectively upon its establishment.

The Leased Land was leased from an independent third party, Beijing Qianmen Tianshi Property Development Company Limited* ("Qianmen Tianshi"), with a terms of 20 years (with conditional extension terms of 20 years) and at a total rent and constructions costs of RMB500,000,000 (equivalent to approximately HK$625,000,000).

As at 31 December 2013, the Group has paid RMB50,000,000 to Qianmen Tianshi and recognised as prepaid lease payment (see Note 15). Under the Joint Venture Agreement, Zhongshui Property will contribute not more than RMB210,000,000 (equivalent to approximately HK$262,500,000) (including Zhongshui Property's contribution to the registered capital in the Joint Venture Company) out of the Group's internal resources and shall use its best endeavour to procure the financing of not less than RMB290,000,000 (equivalent to approximately HK$362,500,000) from banks and/or other financial institutions to the Joint Venture Company.

The Group as lessor

Property rental income earned during the year was HK$31,269,000 (2012: HK$51,343,000). The properties are expected to generate rental yield of 3.47% (2012: 3.77%) on an ongoing basis. All of the properties held have committed tenants within next six years.

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

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Within one year	**22,788**	50,775
In the second to fifth years inclusive	**53,472**	135,794
More than five years	**17,334**	38,407
	93,594	224,976

* For identification purpose only.

43. CAPITAL COMMITMENTS

As at 31 December 2013, the Group had capital commitments in respect of its construction of properties, contracted but not provided in the consolidated financial statements, amounting to HK$480.7 million (2012: HK$111.7 million).

The Group had capital commitments in respect of its prepayment for acquisition of an intangible asset, authorised but not contracted in the consolidated financial statements, amounting to not more than HK$229.9 million (2012: HK$238.5 million).

44. CONTINGENT LIABILITIES

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

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees given in respect of borrowings and other banking facilities for subsidiaries	**–**	–	**106,329**	103,704

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

The directors consider that the above contingent liabilities are unlikely to materialise. No provision was therefore made in this respect at 31 December 2013 and 2012.

45. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2012, an amount of HK$141.3 million of prepayment recognised in investing of properties upon the acquisition of Wuhan Zhong Nan Automobile Parts and Accessories Company Limited* as set out in Note 39.

* For identification purpose only.

46. CONNECTED AND RELATED PARTY TRANSACTIONS

(a) Compensation to key management personnel:

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

(b) Related party transactions:

(i) Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

During the year, the Group entered into the following transactions with related parties:

	Finance cost (note i)		Amounts due to related parties (Interest bearing) (note ii)		Amounts due from related party (note iii)		Amounts due to related parties (Non-interest bearing) (note iv)	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Shareholder	**5,111**	6,201	**–**	–	**–**	–	**–**	–
Shareholder's subsidiaries	**19,113**	14,881	**249,255**	137,962	**–**	–	**5,271**	24,804
Non-controlling interest	**–**	–	**–**	–	**8,658**	–	**2,818**	10,354
	24,224	21,082	**249,255**	137,962	**8,658**	–	**8,089**	35,158

notes:

(i) The interest is derived from the convertible bond and amount due to related party, the interest rate is ranged from 7.55%–12% p.a. (2012: 7.55%–15% p.a.).

(ii) The amount is unsecured, interest bearing and repayable on demand. No guarantees have been given or received.

(iii) The amount is carried out on normal commercial terms.

(iv) The amount is unsecured, non-interest bearing and repayable on demand. No guarantees have been given or received.

(ii) During the year ended 31 December 2012, the Group had disposed certain subsidiaries, inventories and machineries to connected persons (pursuant to the Listing Rules). Details of the transaction are disclosed in both Notes 12 and 40.

* For identification purpose only.

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES

(a) General information of subsidiaries

Particulars of the Company's principal subsidiaries as at 31 December 2013 and 2012 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Percentage of issued capital/registered attributable to the Group 2013	2012	Proportion of voting power held 2013	2012	Principal activities
Directly held:							
Wah Yuen Foods International Limited 華園食品國際有限公司	British Virgin Islands	Ordinary shares USD1,100	**100%**	100%	**100%**	100%	Investment holdings
Top Rainbow Investments Limited	British Virgin Islands	Ordinary shares USD50,000	**100%**	100%	**100%**	100%	Investment holdings
Top Harbour Development Limited	British Virgin Islands	Ordinary shares USD50,000	**100%**	100%	**100%**	100%	Investment holdings
China Water Property Investment Limited 中國水務地產投資有限公司	British Virgin Islands	Ordinary shares USD10,000	**100%**	100%	**100%**	100%	Investment holdings
Indirectly held:							
Wah Yuen Foods (China) Limited 華園食品(中國)有限公司	British Virgin Islands	Ordinary shares USD1,000	**100%**	100%	**100%**	100%	Investment holdings
Hong Kong Wah Yuen Foods Company Limited 香港華園食品廠有限公司	British Virgin Islands	Ordinary share HK$1	**100%**	100%	**100%**	100%	Investment holdings
Wah Yuen Investment Limited 華園投資有限公司	British Virgin Islands	Ordinary shares USD1,000	**100%**	100%	**100%**	100%	Investment holdings
Wealthstar Investments Limited 裕星投資有限公司	British Virgin Islands	Ordinary share USD1	**100%**	100%	**100%**	100%	Dormant
Wah Yuen Foods Company Limited 華園食品廠有限公司	Hong Kong	Ordinary shares HK$20	**100%**	100%	**100%**	100%	Investment holdings
Wah Yuen (China) Investment Limited 華園(中國)投資有限公司	Hong Kong	Ordinary shares HK$10,000	**100%**	100%	**100%**	100%	Dormant (note iv)
Wah Yuen (Guangzhou) Foods Company Limited* 華園(廣州)食品有限公司 (note i)	PRC	Registered and contributed capital USD5,700,000	**100%**	100%	**100%**	100%	Dormant
Rocco Foods Enterprises Company (Guangzhou) Limited* 廣州樂高食品企業有限公司 (note i)	PRC	Registered and contributed capital USD2,810,000	**100%**	100%	**100%**	100%	Dormant

* For identification purpose only.

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

(a) General information of subsidiaries *(Continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Percentage of issued capital/registered attributable to the Group 2013	2012	Proportion of voting power held 2013	2012	Principal activities
Guangzhou Lijia Pet Foods Company Limited* 廣州市俐加寵物食品有限公司 (note i)	PRC	Registered and contributed capital HK$500,000	**100%**	100%	**100%**	100%	Dormant
China Environmental Water Holdings Limited 中國水環境控股有限公司	Hong Kong	Ordinary shares HK$10	**100%**	100%	**100%**	100%	Dormant (note iv)
China Water Property Corporate Finance Limited 中國水務地產企業財務有限公司	Hong Kong	Ordinary shares HK$10,000	**100%**	100%	**100%**	100%	Investment holdings
Shenzhen Zhongshui Property Company Limited* 深圳中水置業有限公司	PRC	Registered and contributed capital RMB80,000,000	**100%**	100%	**100%**	100%	Investment holdings
China Water Property (Hong Kong) Development Limited 中國水務地產(香港)發展有限公司	Hong Kong	Ordinary shares HK$10,000	**100%**	100%	**100%**	100%	Investment holdings
China Water Property (Hong Kong) Investment Limited 中國水務地產(香港)投資有限公司	Hong Kong	Ordinary shares HK$10,000	**100%**	100%	**100%**	100%	Investment holdings
Hong Kong Walter Hotel Management Group Limited 香港沃爾特酒店管理集團有限公司 (Previously known as Karford Development Limited 卡富發展有限公司)	British Virgin Islands	Ordinary share USD1	**100%**	100%	**100%**	100%	Investment holdings
Waterports International Limited	British Virgin Islands	Ordinary share USD1	**100%**	100%	**100%**	100%	Investment holdings
Hense Investments Limited 康士投資有限公司	British Virgin Islands	Ordinary share USD1	**100%**	100%	**100%**	100%	Investment holdings
China Water Real Property Limited 中國水務房地產有限公司	Hong Kong	Ordinary shares HK$10,000	**100%**	100%	**100%**	100%	Investment holdings
Mega Famous Investment Limited 百榮投資有限公司	Hong Kong	Ordinary shares HK$10,000	**100%**	100%	**100%**	100%	Investment holdings

* For identification purpose only.

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

(a) General information of subsidiaries *(Continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Percentage of issued capital/registered attributable to the Group 2013	2012	Proportion of voting power held 2013	2012	Principal activities
China Water Property Group (Hong Kong) Limited 中國水務地產集團（香港）有限公司	Hong Kong	Ordinary shares HK$10,000	**100%**	100%	**100%**	100%	Investment holdings
China Water Property Land Development Limited 中國水務地產開發有限公司 (Previously known as China Water Property Research Limited)	Hong Kong	Ordinary shares HK$10,000	**100%**	100%	**100%**	100%	Investment holdings
China Water Property (Hong Kong) Group Limited 中國水務地產（香港）集團有限公司	British Virgin Islands	Ordinary share USD1	**100%**	100%	**100%**	100%	Investment holdings
China Water Property Development Limited 中國水務地產發展有限公司	Hong Kong	Ordinary share HK$1	**100%**	100%	**100%**	100%	Investment holdings
Shanghai Shengheng Investment Company Limited* 上海聖恒投資有限公司	PRC	Registered and contributed capital RMB15,000,000	**51%**	51%	**51%**	51%	Investment holdings and property development
Water Property Hubei Group Limited* 水務地產湖北集團有限公司	PRC	Registered and contributed capital RMB200,000,000	**100%**	100%	**100%**	100%	Property development
Northern Sea Development Limited	British Virgin Islands	Ordinary share USD1	**100%**	100%	**100%**	100%	Investment holdings
Create Capital Development Limited	British Virgin Islands	Ordinary share USD1	**100%**	100%	**100%**	100%	Investment holdings
Angelink Development Limited	British Virgin Islands	Ordinary share USD1	**100%**	100%	**100%**	100%	Investment holdings
HK Mei Lai International (Canada) Limited 香港美來國際（加拿大）有限公司	Hong Kong	Ordinary shares HKD10,000	**60%**	60%	**60%**	60%	Investment holdings
Hangzhou Niagra Real Estates Company Limited* ("Hangzhou Niagra") 杭州尼加拉置業有限公司	PRC	Registered and contributed capital USD14,900,000 (note i)	**60%**	60%	**60%**	60%	Property development and sale of properties

* For identification purpose only.

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

(a) General information of subsidiaries *(Continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Percentage of issued capital/registered attributable to the Group 2013	2012	Proportion of voting power held 2013	2012	Principal activities
Hangzhou Mei Lai Commercial Corporation Management Company Limited* 杭州美萊商業企業管理有限公司	PRC	Registered and contributed capital RMB30,000,000	**60%**	60%	**60%**	60%	Provision of management service
Hangzhou Pu Tian Property Development Company Limited* 杭州普天房地產開發有限公司	PRC	Registered and contributed capital RMB30,000,000 (note i)	**60%**	60%	**60%**	60%	Property development and sale of properties
Hangzhou Yuehuzhuang Hotel Management Company Limited* 杭州悦湖莊酒店管理有限公司	PRC	Registered and contributed capital RMB1,000,000	**60%**	60%	**60%**	60%	Provision of hotel operation
Chunan Yuehuzhuang Hotel Company Limited* 淳安悦湖莊酒店有限公司	PRC	Registered and contributed capital RMB1,000,000	**60%**	60%	**60%**	60%	Provision of hotel operation
Wuhan Future City Commercial Property Management Company Limited* 武漢未來城商業物業管理有限公司	PRC	Registered and contributed capital RMB10,000,000	**100%**	100%	**100%**	100%	Provision of management service
Wuhan Kaiyue Property Development Company Limited* 武漢凱越房地產開發有限公司	PRC	Registered and contributed capital RMB50,000,000	**100%**	100%	**100%**	100%	Property development and sale of properties
Wuhan Future City Hotel Management Company Limited* 武漢未來城大酒店管理有限公司	PRC	Registered and contributed capital RMB5,000,000	**100%**	100%	**100%**	100%	Provision of hotel operation
Jiangsu Hohai Property Development Company Limited* 江蘇河海置業有限公司	PRC	Registered and contributed capital RMB28,333,333.33	**71%**	100%	**71%**	100%	Property development
Wuhan Future City Technology Incubator Company Limited* 武漢未來城科技孵化器有限責任公司	PRC	Registered and contributed capital RMB1,000,000	**100%**	100%	**100%**	100%	Provision of management service

* For identification purpose only.

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

(a) General information of subsidiaries *(Continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Percentage of issued capital/registered attributable to the Group 2013	2012	Proportion of voting power held 2013	2012	Principal activities
Wuhan Zhong Nan Automobile Parts and Accessories Company Limited* 武漢市中南汽車配件配套有限責任公司	PRC	Registered and contributed capital RMB50,000,000	**100%**	100%	**100%**	100%	Property development and sale of properties
Wuhan Future City Property Management Company Limited* 武漢未來城物業管理有限公司	PRC	Registered and contributed capital RMB500,000	**100%**	100%	**100%**	100%	Provision of management service
Guangdong Zhongshui Property Development Company Limited* 廣東中水地產開發有限公司	PRC	Registered and contributed capital RMB20,000,000	**100%**	100%	**100%**	100%	Property development and sale of properties
Land Silver Limited	British Virgin Islands	Ordinary share USD1	**100%**	0%	**100%**	0%	Investment holdings
China Water Property Estates Limited 中國水務地產置業有限公司	Hong Kong	Ordinary share HK$1	**100%**	0%	**100%**	0%	Investment holdings
First Supreme Limited	British Virgin Islands	Ordinary share USD1	**100%**	0%	**100%**	0%	Investment holdings
China Water Land Limited 中國水務地產有限公司	Hong Kong	Ordinary share HK$1	**100%**	0%	**100%**	0%	Investment holdings
Jiangxi Zhongshui Culture Industry Investment Development Company Limited* 江西中水文化產業投資發展有限公司	PRC	Registered and contributed capital RMB10,000,000	**100%**	0%	**100%**	0%	Property development

notes:

(i) Wah Yuen (Guangzhou) Foods Company Limited, Rocco Foods Enterprises Company (Guangzhou) Limited, Guangzhou Lijia Pet Foods Company Limited, Shenzhen Zhongshui Property Company Limited, Hangzhou Niagra Real Estates Company Limited and Water Property Hubei Group Limited are wholly foreign owned enterprises established in the PRC.

(ii) Hangzhou Pu Tian Property Development Company Limited is sino-foreign joint venture enterprise established in the PRC.

(iii) None of the subsidiaries had any debt securities outstanding during the year or at the end of reporting period.

(iv) On 10 January 2014, companies including China Environmental Water Holdings Limited and Wah Yuen (China) Investment Limited were deregistered.

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

* For identification purpose only.

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

(b) Material non-controlling interest

The following table lists out the information relating to the consolidated results and financial position of major subsidiaries of the Group which have material non-controlling interest ('NCI'). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2013 HK$'000	2012 HK$'000
Hangzhou Niagra		
NCI percentage	**40%**	40%
Current assets	**477,473**	385,462
Non-current assets	**754,065**	425,182
Current liabilities	**(916,457)**	(668,670)
Non-current liabilities	**(79,134)**	(55,506)
Net assets	**235,947**	86,468
Carrying amount of NCI	**94,379**	34,587

	2013 HK$'000	2012 HK$'000
Hangzhou Niagra		
Revenue	**31,715**	–
Profit and total comprehensive income for the year	**149,479**	56,816
Profit and total comprehensive income allocated to NCI	**59,792**	22,727
Net cash flow (used in) from operating activities	**(93,393)**	58,102
Net cash flow from investing activities	**16**	35
Net cash flow from (used in) financing activities	**59,475**	(4,265)
Net cash (outflow) inflow	**(33,902)**	53,872

* For identification purpose only.

Financial Summary

RESULTS

	Year ended 31 December				
	2009* HK$'000	2010* HK$'000	2011 HK$'000	2012 HK$'000	**2013 HK$'000**
Continuing operations					
Turnover	100,454	990,841	136,901	271,374	**368,265**
(Loss) profit from operations	(300,197)	802,769	152,768	237,562	**247,954**
Finance costs	(34,963)	(22,890)	(22,873)	(39,689)	**(31,358)**
(Loss) profit before tax	(335,160)	779,879	129,895	197,873	**216,596**
Income tax credit (expenses)	3,129	(265,776)	(53,362)	(87,785)	**(78,798)**
	(332,031)	514,103	76,533	110,088	**137,798**
Discontinued operation	–	(7,299)	(48,130)	(43,428)	**–**
(Loss) profit before non-controlling interests	(332,031)	506,804	28,403	66,660	**137,798**
Non-controlling interests	15,737	2,730	4,970	(17,570)	**(52,207)**
(Loss) profit for the year attributable to owners of the Company	(316,294)	509,534	33,373	49,090	**85,591**
(Losses) earnings per share (expressed in HK cents per share) from continuing and discontinued operations					
— Basic	(7.73)	44.34	2.38	2.75	**4.66**
— Diluted	N/A	38.39	2.31	2.70	**4.42**

ASSETS AND LIABILITIES

	Year ended 31 December				
	2009* HK$'000	2010* HK$'000	2011* HK$'000	2012 HK$'000	**2013 HK$'000**
Total assets	1,092,414	2,781,054	3,387,278	4,129,350	**5,148,891**
Total liabilities	(802,994)	(1,425,487)	(1,738,025)	(2,361,005)	**(3,148,080)**
Non-controlling interests	(36,710)	(160,366)	(136,931)	(169,316)	**(233,809)**
Equity attributable to owners of the Company	252,710	1,195,201	1,512,322	1,599,029	**1,767,002**

* The result for each of the year 2009 have not been re-presented for the discontinued operation in 2010 and the result of 2009-2010 have not been re-presented for the discontinued operation in 2012.

Properties Particulars

Property held by the Group at 31 December 2013 is set out below.

	Property	Type	Lease Term	Gross Floor Area (Square Metres)	Stage of Completion	Interest attributable to the Group	Anticipated Completion
1.	Future City Situated on No. 147, Luo Shi Road South, Hongshan District, Wuhan City, Hubei Province, the PRC	Residential/ Commercial/Hotel	Medium	145,273	Completed	100%	–
2	Future Mansion Situated on No. 378, Wu Luo Road, Hongshan District, Wuhan City, Hubei Province, the PRC	Residential	Medium	42,149	Completed	100%	–
3	Qiandao Lake Villa Situated on She Lou Shang Xia Ling, Wangzhai Township, Qiandao Lake, Hangzhou City, Zhejiang Province, the PRC	Residential	Medium	33,493	In progress	60%	2010 to 2015 will be completed in phases
4	Mei Lai International Centre Situated on Southern side of intersection of Ying Bin Road and Weng Mei Road, Nanyan Street, Yuhang District, Hangzhou City, Zhejiang Province, the PRC	Commercial	Medium	114,610	Completed	60%	–
5	Zhongshui • Longyang Plaza (Previously known as "WEDZ Future City") Situated on Land Lot No. 19C2 located at Wuhan Economic and Technological Development Zone, Wuhan City, Hubei Province, the PRC	Commercial	Medium	135,173	In progress	100%	2014 to 2015