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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

KEY FINANCIAL HIGHLIGHTS

- Turnover was approximately HK$271.4 million, increased by 98% compared with HK$136.9 million (restated) in 2011.
- Various investment properties of the Group contributed the fair value gains of approximately HK$282.8 million.
- Profit for the year of the Group was approximately HK$66.7 million, increased by 135% compared with HK$28.4 million in 2011.
- Profit for the year attributable to owners of the Company was approximately HK$49.1 million, increased by 47% compared with HK$33.4 million in 2011.
- Total assets of the Group were approximately HK$4,129.4 million, increased by 22% compared with HK$3,387.3 million in 2011.
- Total equity attributable to owners of the Company was approximately HK$1,599.0 million, increased by 6% compared with HK$1,512.3 million in 2011.

The board (the "Board") of directors (the "Directors") of China Water Property Group Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2012, together with the comparative figures for the previous year. These results principally relate to the businesses of the Group engaging in property development, property investment, hotel business and property management in the People's Republic of China (the "PRC") for the year ended 31 December 2012:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	Notes	**2012** ***HK$'000***	2011 *HK$'000* (restated)
Continuing operations			
Turnover	*3a*	**271,374**	136,901
Cost of sales		**(180,517)**	(65,143)
Gross profit		**90,857**	71,758
Fair value gain in respect of investment properties revaluation		**282,779**	205,125
Other operating income	*3b*	**1,699**	5,595
Selling and distribution expenses		**(17,772)**	(7,122)
Administrative expenses		**(120,001)**	(122,588)
Finance costs	*5*	**(39,689)**	(22,873)
Profit before tax		**197,873**	129,895
Income tax expense	*7*	**(87,785)**	(53,362)
Profit for the year from continuing operations	*6*	**110,088**	76,533
Discontinued operation			
Loss for the year from discontinued operation	*8*	**(43,428)**	(48,130)
Profit for the year		**66,660**	28,403

	Note	2012 HK$'000	2011 HK$'000 (restated)
Profit for the year attributable to:			
Owners of the Company			
Profit for the year from continuing operations		**91,906**	81,055
Loss for the year from discontinued operation		**(42,816)**	(47,682)
Profit for the year attributable to owners of the Company		**49,090**	33,373
Non-controlling interests			
Profit (loss) for the year from continuing operations		**18,182**	(4,522)
Loss for the year from discontinued operation		**(612)**	(448)
Profit (loss) for the year attributable to non-controlling interests		**17,570**	(4,970)
Profit for the year		**66,660**	28,403
		HK Cents	*HK Cents* (restated)
Earnings per share	*10*		
From continuing and discontinued operations			
Basic		**2.75**	2.38
Diluted		**2.70**	2.31
From continuing operations			
Basic		**5.15**	5.78
Diluted		**4.84**	5.25

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	2012	2011
	HK$'000	*HK$'000*
Profit for the year	**66,660**	28,403
Other comprehensive income:		
Exchange differences arising on translation	**12,670**	35,085
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	**18,617**	35,085
Total comprehensive income for the year (net of tax)	**85,277**	63,488
Total comprehensive income (expense) attributable to:		
Owners of the Company	**67,707**	68,458
Non-controlling interests	**17,570**	(4,970)
	85,277	63,488

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
ASSETS			
Non-Current Assets			
Prepaid lease payments		**–**	1,616
Property, plant and equipment		**69,964**	132,887
Investment properties		**2,079,012**	1,339,024
Goodwill		**174,605**	174,605
Prepayment for acquisition of an intangible asset		**22,724**	–
Deposit paid on acquisition of a subsidiary		**–**	121,951
		2,346,305	1,770,083
Current Assets			
Inventories		**938**	4,503
Inventory of properties		**1,456,297**	1,213,864
Trade and other receivables	*11*	**148,614**	245,179
Prepaid tax		**257**	156
Pledged bank deposits		**51,953**	3,307
Bank balances and cash		**124,986**	150,186
		1,783,045	1,617,195
TOTAL ASSETS		**4,129,350**	3,387,278
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital		**180,872**	175,872
Reserves		**1,418,157**	1,336,450
Equity attributable to owners of the Company		**1,599,029**	1,512,322
Non-controlling interests		**169,316**	136,931
TOTAL EQUITY		**1,768,345**	1,649,253

	Note	2012 HK$'000	2011 HK$'000
Non-current Liabilities			
Deferred tax liabilities		**388,708**	280,444
Borrowings — due after one year		**466,049**	128,049
Convertible notes		**66,932**	64,464
Deposits received for sale and lease of properties — non-current portion		**113,578**	123,706
Deferred income — non-current portion		**11,665**	22,114
		1,046,932	618,777
Current Liabilities			
Trade and other payables	*12*	**523,488**	323,167
Deposits received for sale and lease of properties — current portion		**220,139**	122,244
Tax payable		**27,212**	118,910
Amounts due to non-controlling shareholders of subsidiaries		**10,354**	58,962
Amounts due to related parties		**162,766**	114,298
Borrowings — due within one year		**364,354**	353,478
Deferred income — current portion		**5,760**	28,189
		1,314,073	1,119,248
TOTAL LIABILITIES		**2,361,005**	1,738,025
TOTAL EQUITY AND LIABILITIES		**4,129,350**	3,387,278
NET CURRENT ASSETS		**468,972**	497,947
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,815,277**	2,268,030

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2012

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 investment, property development, 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 current year (Details are set out in Note 8). Accordingly, the comparative figures of the consolidated income statement for the year ended 31 December 2011 and related notes have been restated.

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 HKAS 12	Deferred Tax: Recovery of Underlying Asset;
Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters; and
Amendments to HKFRS 7	Financial Instruments: Disclosures — Transfers of Financial Assets

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

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.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle except for the amendments to HKAS 1[2]
Amendments to HKFRS 1	Frist-time Adoption of Hong Kong Financial Reporting Standards — Government Loans[2]
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[3]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

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

Annual Improvements to HKFRSs 2009–2011 Cycle issued in June 2012

The Annual Improvements to HKFRSs 2009–2011 Cycle include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include the amendments to HKAS 16 Property, Plant and Equipment and the amendments to HKAS 32 Financial Instruments: Presentation.

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The Directors do not anticipate that the application of the amendments will have a material effect on the Group's consolidated financial statements.

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. The Directors anticipate that the amendments to HKAS 32 will have no effect on the Group's consolidated financial statements as the Group has already adopted this treatment.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The Directors anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

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

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.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

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

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

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

Key requirements of these five standards are described below.

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

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC)-Int 13 Jointly Controlled Entities — Non-monetary Contributions by Venturers will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

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

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The Directors anticipate that the application of these five standards may not have a significant impact on amounts reported in the consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted. The Directors anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

HKFRS 13 Fair Value Measurement

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

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The Directors anticipate that the application of the new Standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

HKAS 19 (as revised in 2011) Employee Benefits

The amendments to HKAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of HKAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of HKAS 19 are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

The amendments to HKAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application. The Directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a '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. However, the amendments to HKAS 1 require items of other comprehensive income to be 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 to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

HK(IFRIC)-Int 20 Stripping Costs in the Production Phase of a Surface Mine

HK(IFRIC)-Int 20 Stripping Costs in the Production Phase of a Surface Mine applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). Under the interpretation, the costs from this waste removal activity ("stripping") which provide improved access to ore is recognised as a non-current asset ("stripping activity asset") when certain criteria are met, whereas the costs of normal on-going operational stripping activities are accounted for in accordance with HKAS 2 Inventories. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part. The directors anticipate that the application of the amendments will have no effect on the Group as the Company is not engaged in mining industry.

HK(IFRIC)-Int 20 is effective for annual periods beginning on or after 1 January 2013. Specific transitional provisions are provided to entities that apply HK(IFRIC)-Int 20 for the first time. However, HK(IFRIC)-Int 20 must be applied to production stripping costs incurred on or after the beginning of the earliest period presented.

3. TURNOVER AND OTHER OPERATING INCOME

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

		2012	2011
		HK$'000	*HK$'000*
			(restated)
(a)	Turnover		
	Sales of properties	**180,140**	111,010
	Rental income	**51,343**	24,513
	Hotel operation income	**33,034**	789
	Property management income	**6,857**	589
		271,374	136,901
(b)	Other operating income:		
	Exchange gain	**–**	3,295
	Interest income from bank deposits	**636**	1,433
	Sundry income	**1,063**	867
		1,699	5,595

4. SEGMENT INFORMATION

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

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

The Group's operating segments are as follows:

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

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

— Hotel Business Segment engages in operating hotels in the PRC

— Property Management Business Segment engages in provision of property management services in the PRC

The Group involved in production and distribution of snack food, convenient frozen food and other food product (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 in Note 8.

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 2012

Continuing operations

	Property Investment Business *HK$'000*	**Property Development Business** *HK$'000*	**Hotel Business** *HK$'000*	**Property Management Business** *HK$'000*	**Total** *HK$'000*
TOTAL REVENUE AND EXTERNAL SALES	**51,343**	**180,140**	**33,034**	**6,857**	**271,374**
RESULT					
Segment operating results before impairment	**26,350**	**(6,608)**	**(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)**
Profit from operations					**237,562**
Finance costs					**(39,689)**
Profit before tax					**197,873**
Income tax expense					**(87,785)**
Profit for the year					**110,088**

For the year ended 31 December 2011

Continuing operations

	Property Investment Business *HK$'000*	Property Development Business *HK$'000*	Hotel Business *HK$'000*	Property Management Business *HK$'000*	Total *HK$'000* (restated)
TOTAL REVENUE AND EXTERNAL SALES	24,513	111,010	789	589	136,901
RESULT					
Segment operating results before impairment	8,324	23,254	(8,618)	(2,192)	20,768
Fair value gain in respect of investment properties revaluation	205,125	–	–	–	205,125
Unallocated corporate income					2,491
Unallocated corporate expense					(75,616)
Profit from operations					152,768
Finance costs					(22,873)
Profit before tax					129,895
Income tax expense					(53,362)
Profit for the year					76,533

Segment assets and liabilities

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

Continuing operations

	Property Investment Business		Property Development Business		Hotel Business		Property Management Business		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
										(restated)
ASSETS										
Goodwill	**–**	–	**174,605**	174,605	**–**	–	**–**	–	**174,605**	174,605
Inventory of properties	**–**	–	**1,456,297**	1,213,864	**–**	–	**–**	–	**1,456,297**	1,213,864
Investment properties	**2,079,012**	1,339,024	**–**	–	**–**	–	**–**	–	**2,079,012**	1,339,024
Other assets	**2,050**	12,483	**290,472**	451,112	**60,139**	67,089	**1,045**	1,788	**353,706**	532,472
Segment assets	**2,081,062**	1,351,507	**1,921,374**	1,839,581	**60,139**	67,089	**1,045**	1,788	**4,063,620**	3,259,965
Assets relating discontinued operation									**–**	103,547
Unallocated corporate assets									**65,730**	23,766
Consolidated assets									**4,129,350**	3,387,278
LIABILITIES										
Segment liabilities	**161,288**	222,097	**1,859,005**	1,311,632	**3,345**	–	**2,262**	6,185	**2,025,900**	1,539,914
Liabilities relating to discontinued operation									**–**	31,324
Unallocated corporate liabilities									**335,105**	166,787
Consolidated liabilities									**2,361,005**	1,738,025
OTHER INFORMATION										
Additions to property, plant and equipment	**70**	423	**619**	10,198	**1,047**	64,569	**269**	262	**2,005**	75,452
Depreciation of property, plant and equipment	**173**	67	**3,458**	2,844	**9,460**	745	**50**	18	**13,141**	3,674
Additions to investment properties	**431,419**	111,742	**–**	–	**–**	–	**–**	–	**431,419**	111,742

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	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(restated)		(restated)
Hong Kong	**–**	–	**1,940**	1,854
The PRC	**271,374**	136,901	**2,344,365**	1,768,229
	271,374	136,901	**2,346,305**	1,770,083

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 2012, no single external customers accounted for 10% or more of the Group's consolidated turnover (2011: nil).

5. FINANCE COSTS

Continuing operations	**2012** **HK$'000**	2011 HK$'000 (restated)
Interest expense on bank loans, overdrafts and other borrowings wholly repayable within five years	**83,186**	32,122
Effective interest expense on convertible notes	**4,915**	4,738
	88,101	36,860
Less: amounts capitalised in the cost qualifying assets	**(48,412)**	(13,987)
	39,689	22,873

6. PROFIT FOR THE YEAR

Continuing operations	**2012** **HK$'000**	2011 HK$'000 (restated)
Profit for the year has been arrived at after charging (crediting):		
Staff costs, including directors' emoluments	**50,170**	63,722
Retirement benefits scheme contributions, including contributions for directors	**512**	1,587
Total staff costs	**50,682**	65,309
Auditors' remuneration	**1,200**	1,014
Amortisation of prepaid lease payments	**93**	–
Depreciation of property, plant and equipment		
— owned assets	**19,053**	4,084
— assets held under finance leases	**–**	–
Loss on disposal of property, plant and equipment	**3,774**	514
Impairment on trade and other receivables	**3,568**	5,682
Operating lease rental expense in respect of rented premises	**26,384**	9,347

	2012 **HK$'000**	2011 HK$'000
Gross rental income from investment properties	**(51,343)**	(24,513)
Less: Direct operating expenses from investment properties that generate rental income during the year	**5,475**	3,294
	(45,868)	(21,219)

7. INCOME TAX EXPENSES

Continuing operations	2012 *HK$'000*	2011 *HK$'000* (restated)
The tax charge comprises:		
Current tax:		
Hong Kong Profits Tax		
Current year	–	–
Under provision in prior year	–	–
PRC Enterprise Income Tax ("EIT")		
Current year	**6,674**	6,084
Over provision in prior year	–	(15,432)
Land appreciation tax ("LAT") in the PRC	**10,416**	11,429
Current tax charge for the year	**17,090**	2,081
Deferred tax charge for the year	**70,695**	51,281
	87,785	53,362

Hong Kong Profits Tax is calculated at 16.5% (2011: 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.

8. 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. In accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations, the Disposals constitute discontinued operation of Wah Yuen foods business, therefore the comparative figures for the year ended 31 December 2011 have been restated.

The results of the discontinued operation for the period/year, which had been included in the profit or loss, were as follows:

	1.1.2012 to 25.7.2012 *HK$'000*	1.1.2011 to 31.12.2011 *HK$'000*
Turnover	**12,099**	40,615
Cost of sales	**(10,241)**	(32,629)
Gross profit	**1,858**	7,986
Selling, distribution and administrative expenses	**(10,870)**	(19,742)
Other operating income	**50**	665
Finance costs	**(579)**	(1,156)
Impairment on property, plant and equipment	**(31,791)**	(30,000)
Written off of inventories	**(62)**	(1,128)
Impairment on trade and other receivables	**(22,752)**	(4,618)
Loss before tax from discontinued operation	**(64,146)**	(47,993)
Income tax expense	**(186)**	(137)
Loss for the period/year from discontinued operation	**(64,332)**	(48,130)
Net gain on disposal from discontinued operation *(note)*	**20,904**	–
Total loss for the period/year for discontinued operation	**(43,428)**	(48,130)
Attributable to:		
Owners of the Company	**(42,816)**	(47,682)
Non-controlling interests	**(612)**	(448)
	(43,428)	(48,130)
Loss for the period/year from discontinued operation has been arrived at after charging (crediting):		
Staff costs	**3,160**	5,087
Retirement benefits scheme contributions	**66**	487
	3,226	5,574
Auditors' remuneration	**–**	–
Depreciation of property, plant and equipment	**153**	6,733
Amortisation of prepaid lease payments	**4**	189
Interest income	**(50)**	(658)
Other information:		
Additions of property, plant and equipment	**–**	1,977
Cash flows from discontinued operation:		
Net cash inflow from operating activities	**1,666**	9,213
Net cash inflow from investing activities	**3,335**	6,684
Net cash outflow from financing activities	**(6,609)**	(13,150)
Cash (outflow)inflow from discontinued operation	**(1,608)**	2,747

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.

9. DIVIDENDS

The Directors do not recommend the payment of a dividend for the years ended 31 December 2012 and 2011.

10. 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$49,090,000 (2011: approximately HK$33,373,000) and on the weighted average ordinary share of 1,784,065,327 (2011: 1,403,163,593 shares) deemed to be in issue during the year.

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

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
		(restated)
Earnings:		
Earnings for the purpose of basic earnings per share	**49,090**	33,373
Effect of dilutive potential ordinary shares:		
Interest on convertible notes	**4,915**	3,956
Earnings for the purpose of diluted earnings per share	**54,005**	37,329

	2012	2011
	share(s)	*share(s)*
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,784,065,327**	1,403,163,593
Effect of dilutive potential ordinary shares:		
Convertible notes	**215,683,682**	215,683,682
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**1,999,749,009**	1,618,847,275

From continuing operations

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
		(restated)
Profit for the year attributable to owners of the Company:	**49,090**	33,373
Less:		
Loss for the year from discontinued operation	**(42,816)**	(47,682)
Earnings for the purpose of basic earnings per share	**91,906**	81,055
Effect of dilutive potential ordinary shares:		
Interest on convertible notes	**4,915**	3,956
Earnings for the purpose of diluted earnings per share	**96,821**	85,011

From discontinued operation

For the year ended 31 December 2012, basic loss per share for the discontinued operation was HK2.40 cents (2011: HK3.40 cents), based on the loss for the year from the discontinued operation of approximately HK$42,816,000 (2011: approximately HK$47,682,000) 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.

11. TRADE AND OTHER RECEIVABLES

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
Trade receivables	**7,676**	20,702
Less: Allowance for doubtful debts	**–**	–
	7,676	20,702
Prepayments for construction work	**103,841**	46,948
Receivable on disposal of subsidiaries	**2,731**	1,682
Refundable deposit placed on acquisition of a property development project in the PRC	**–**	74,256
Other receivables, prepayments and other deposits *(note)*	**34,366**	101,591
	148,614	245,179

note: The prepayment as at 31 December 2011 included an amount of approximately HK$71,583,000 for the land development cost payment paid on behalf of Wuhan Zhong Nan Automobile Parts and Accessories Co. Ltd (武漢市中南汽車配件配套有限責任公司) (the "Target Company") to develop the land held by the Target Company. The acquisition of the Target Company is completed in May 2012, the amount is included in the inventory of properties at the date of completion.

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

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
Within 90 days	**7,196**	12,931
91 to 180 days	**229**	1,224
Over 180 days	**251**	6,547
	7,676	20,702

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

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

For the property investment business, the credit period is generally one month extending up to three months for major customers.

The trading term with the food business segment was mainly on credit. The average credit period on sales of goods was 90 days. The Group normally provides fully for those receivables overdue 365 days, have no material transactions with the Group during the year, and based on the estimation on prior experiences and the assessment of payment performance under current economic environment. When the Group 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.

12. TRADE AND OTHER PAYABLES

An ageing analysis of trade payables is as follows:

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
Within 90 days	**179,664**	71,626
91 to 180 days	**70**	69,372
Over 180 days	**25,944**	9,657
Trade payables	**205,678**	150,655
Interest payables	**19,136**	18,882
Accrued expenses	**19,674**	15,202
Other tax payable	**27,340**	5,725
Consideration payable of investment property under redevelopment *(note a)*	**69,259**	–
Other payables *(note b)*	**182,401**	132,703
	523,488	323,167

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

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

notes:

(a) The amount 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$137,318,000 (2011: approximately HK$87,805,000) advances from independent third parties. These amounts are unsecured, non-interest bearing and repayable on demand.

MANAGEMENT DISCUSSION AND ANALYSIS

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

In 2012, global economy was still overshadowed and real properties control measures in the PRC property market were still implemented. With the macro-economic tightening policies being in place firmly throughout the year, the property market was stable. Amid these market conditions, the Group keeps its adopted flexible and balanced approach, controlling the progress of projects in development and sales as well as acquisition of new projects.

Result Summary

The consolidated turnover of the Group from continuing operations increased by 98% from HK$136.9 million (restated) for the year ended 31 December 2011 to HK$271.4 million for the year ended 31 December 2012. The revenues from properties sales were HK$180.1 million mainly arising from sales of the Future Mansion in Wuhan. The revenues from property leasing, hotel business and property management business were HK$51.3 million, HK$33.0 million and HK$6.9 million respectively.

The overall gross profit from continuing operations increased by 27% to HK$90.9 million in 2012 from HK$71.8 million (restated) in 2011, while the gross profit margin decreased to 33% in 2012 from 52% (restated) in 2011. The Group also had aggregate fair value gains on revaluation of various investment properties of HK$282.8 million for the year ended 31 December 2012 which represented the fair value changes of the Future City Shopping Centre in Wuhan, commercial part of Mei Lai International Centre in Hangzhou and land parcels in Guangzhou.

During the year ended 31 December 2012, foods business was discontinued. The result from discontinued operation reflected the net loss of HK$43.4 million.

The profit attributable to the owners of the Company increased by 47% to HK$49.1 million for the year ended 31 December 2012 from HK$33.4 million (restated) in 2011. Basic earnings per share attributable to the equity holders of the Company increased to HK2.75 cents compared with HK2.38 cents (restated) in 2011. The Board does not propose any final dividend for the year ended 31 December 2012.

Business Review

The PRC Property Development Business

There is a significant increase in revenue in current year compared with last year because Future Mansion in Wuhan was completed and delivered contributing the sales. The Group's development projects now include Wuhan Economic & Technological Development Zone ("WEDZ") Future City in Wuhan, 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.

During the year, the Group recorded gross floor area ("GFA") of 13,954 square meters sold with an average selling price of HK$12,900 per square meter. Future Mansion recorded property sales of approximately HK$175.7 million, representing GFA of 13,540 square meter sold, while the remaining 414 square meters sold were from Future City in Wuhan contributing approximately HK$4.5 million property sales.

During the year, the Group completed an acquisition of 100% equity interest in a project company in the WEDZ in Wuhan, which is the third prime property project in Wuhan.

With the completion of the acquisition and current property projects development, the Group has strengthened its property development potentials in strategic locations in provincial cities along Yangtze River.

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

The PRC Property Investment Business

Wuhan Future City Commercial Property Management Company* ("Commercial Company") was formed by the Group to operate the Future City Shopping Centre ("Shopping Centre") owned by the Group, which held its grand opening in late August 2011. The Shopping Centre has total leasable area of approximately 55,362 square meters with car park included. The Shopping Centre now becomes a fashionable, dynamic and international shopping centre to cater the growing demand from the surrounding business centres and university region (more than twenty universities and tertiary education institutions including Wuhan University and Wuhan University of Technology) with 1,000,000 students and residential consumers. During the year ended 31 December 2012, the rental income arising from the Shopping Centre was approximately HK$51.3 million and the average occupancy rate is around 90%. As at 31 December 2012, the fair value of the Shopping Centre recorded HK$1,424.7 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 2012, Hangzhou Mei Lai Commercial Property Management Company* was formed by the Group to prepare the operation of the commercial part of Mei Lai International Centre in Yuhang district of Hangzhou. This commercial part is expected to hold its grand opening in mid-to-late 2013. The commercial part has approximately 57,200 square meters 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 2012, the fair value of the commercial part of Mei Lai International Centre recorded HK$423.5 million.

Further, upon the food 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 7 February 2013, by end of 2012, the application to amend the use of land in Guangzhou applying the use to amend from industrial use to residential-commercial use made by the Group in previous year has in principle been approved by the relevant PRC authorities. As a result, the value of the land increased significantly. As at 31 December 2012, the fair value of the land recorded HK$230.9 million. Applications for land use right of the investment properties under redevelopment in the PRC are still in the progress at 31 December 2012. In spite of the above, the Directors of the Company are of the opinion that the Group has acquired the beneficial title of those properties and legal titles document will be obtained in due time. Following the receipt of formal approval documents, the Group will consider the use of the land to maximise the shareholders' value.

The PRC Hotel Business

Wuhan Future City Hotel Management Company* ("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.

During the year ended 31 December 2012, the revenue arising from Future City Hotel was approximately HK$33.0 million and the average occupancy rate is around 65%.

The PRC Property Management Business

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

During the year ended 31 December 2012, the revenue from property management was HK$6.9 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 during the 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 include impairment charges on property, plant and equipment, inventories and receivables after the comprehensive review of carrying values were charged to the income statement as a loss for the year from discontinued operation.

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 in 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 22,313 square meters with a total GFA of approximately 145,273 square meters and comprises of five high-rise residential towers, a four-story premier shopping centre and parking spaces. The project is completed stepwisely in 2010 and 2011 and the shopping centre is operated in 2011.

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 square meters and been developed for a composite building of residential apartments and retail shops with GFA of approximately 44,537 square meters. The project is completed and under sale in 2012.

* *For identification purposes only*

WEDZ Future City

WEDZ Future City is strategically situated in the prime location between the Wangjiawan business area and national level Wuhan Economic & Technological Development Zone, delineated in the western Wuhan Middle Ring Road, next to the Hanyang bus terminal and adjacent to Longyang Avenue. The project has a site area of 30,625 square meters 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 91,872 square meters. The project is under construction.

Hangzhou City, Zhejiang

Mei Lai International Centre

Mei Lai International Centre is strategically located in Yuhang District, which is designated as part of the new Central Business Centre of Hangzhou City, delineated in the southern of intersection of Yingbin Road, Wengmei Road and Nanyuan Street. The integrated complex occupies a total site area of 16,448 square meters and is adjacent to the south station of Shanghai-Hangzhou High-speed Railway and also the terminal of Hangzhou metro line No. 1, which is already in use in late 2012. The total planned GFA of approximately 116,222 square meters, the development comprises of grade-A office block with work loft setting and two high-rise premium apartment towers and a comprehensive commercial complex. The project is under construction and planned to complete during 2013.

Qiandao Lake Villa

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

Guangzhou, Guangdong

Huadu Project

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

Nanjing, Jiangsu

Hohai Project

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

Financial Review

Turnover

Turnover of the Group for the year was HK$271.4 million from HK$136.9 million (restated), an increase of 98% compared with last year. The revenue of property development increased from HK$111.0 million in 2011 to HK$180.1 million in 2012. The increase was mainly due to increase in revenue from sales of properties, in which the total GFA recognised during the year was 13,954 square meters, representing an increase of 39% compared with GFA recognised in last year.

The revenue from property leasing increased from HK$24.5 million in 2011 to HK$51.3 million in 2012, while revenue from hotel business and property management business increased from HK$0.8 million in 2011 to HK$33.0 million in 2012 and from HK$0.6 million in 2011 to HK$6.9 million in 2012 respectively. The increase was mainly because full year operation was recorded in 2012 compared with only a few months' operation in late 2011 for these businesses.

Cost of Sales

The cost of sales increased from HK$65.1 million (restated) in 2011 to HK$180.5 million in 2012, primarily due to the increase in total GFA recognised in 2012. The cost of properties sold included 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$5.4 million, an increase of HK$2.4 million compared with 2011, and by hotel business and property management business of HK$39.9 million and HK$4.3 million respectively, an increase of HK$36.5 million and HK$4.1 million compared with 2011 respectively.

Gross Profit and Gross Profit Margin

The gross profit increased by HK$19.1 million from HK$71.8 million (restated) in 2011 to HK$90.9 million in 2012. The Group has a gross profit margin of 33% in 2012, as compared with 52% (restated) in 2011. The decrease in the gross profit margin was primarily a result of the administrative policies in the PRC property market and also the marco-economic environment in the PRC. An increment in average construction cost also affects the margin.

Other Operating Income

Other operating income decreased by 70% to HK$1.7 million in 2012 from HK$5.6 million (restated) in 2011. This decrease was primarily due to a decrease in exchange gain.

Change In Fair Value of the Investment Properties

There was an aggregate gain of HK$282.8 million in 2012 arising from change in fair value of the Future City Shopping Centre in Wuhan, commercial part of Mei Lai International Centre in Hangzhou and land parcels in Guangzhou.

Selling and Distribution Expenses

The selling and distribution expenses increased by 150% to HK$17.8 million in 2012 from HK$7.1 million (restated) in 2011, primarily due to a significant increase in promotion and advertising expenses arising from sales of properties during the year.

Administrative Expenses

The administrative expenses decreased by 2% to HK$120.0 million in 2012 from HK$122.6 million (restated) in 2011, primarily due to less one-off bonus while leveled by the increase in administrative expenses in full year operation of certain PRC business operations compared with a few months' operation in last year.

Finance Costs

The finance costs increased by 75% to HK$39.7 million in 2012 from HK$22.9 million (restated) in 2011. As the Group completed the development of Future City in Wuhan during 2011, finance cost from relevant bank borrowings taken as capitalised costs decreased in 2012.

Income Tax Expense

The income tax increased by 64% to HK$87.8 million in 2012 from HK$53.4 million (restated) in 2011. The increase was primarily attributable to deferred tax provided in relation to the fair value change of investment properties, an increase in provision for enterprise income tax and also land appreciation tax, which were contributed by the increase in sales of residential properties and profit arising from the properties sold.

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, a decrease by 10% with the loss of HK$48.1 million in 2011.

Profit Attributable to Owners of the Company

The profit attributable to the owners of the Company for the year increased by 47% to HK$49.1 million in 2012 from HK$33.4 million in 2011.

Financial Position

The Group has strengthened its financial position by share placement to raise about HK$30 million during the year.

Total bank deposits and cash of the Group amounted to HK$176.9 million as at 31 December 2012. The Group's net debt was increased by HK$327.9 million to HK$720.4 million, which was made up of HK$897.3 million in debts and HK$176.9 million in bank deposits and cash. The total debts as at 31 December 2012 included short-term borrowings of HK$364.4 million, long-term borrowings of HK$466.0 million and liability component of convertible notes of HK$66.9 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$742.1 million, or 22%, from HK$3,387.3 million in 2011 to HK$4,129.4 million in 2012. The Group had net current assets of HK$469.0 million, consisting of HK$1,783.0 million of current assets and HK$1,314.0 million of current liabilities. The net current assets decreased by HK$28.9 million from the net current assets of HK$497.9 million as at 31 December 2011.

As at 31 December 2012, the Group's shareholders' equity increased by 6% from HK$1,512.3 million to HK$1,599.0 million and the ratio of net debt to total shareholders' equity was 45%, compared 26% as at 31 December 2011.

Future Plans And Prospects

In 2013, the PRC property market is yet to be uncertain and undergoing a fine tuning process before reaches balanced structure. Meanwhile, central government extends its efforts on monetary policy to maintain stable development of Chinese economy, to promote domestic market demand and to accelerate urbanisation. The Group remains positive in the PRC property market. Having a diverse portfolio of properties including residential properties, shopping malls, office buildings, villas and hotels, the Group has a strong foundation to mitigate operating risks in challenging environment while is able grasp market opportunities.

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

With a management team comprised of property development expertise, commercial property professionals and hotel management team and the strong supports from shareholders, the Group 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.

EXPOSURE TO FLUCTUATION IN FOREIGN EXCHANGE AND INTEREST RATE

The Group principally operates the property investment and property development businesses 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 2012.

The Group is exposed to interest rate risks, primarily related to the borrowings with floating interest rates as at 31 December 2012. 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 2012, 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$2,597.8 million were pledged as security for certain banking facilities granted to the Group.

CONTINGENT LIABILITIES AND COMMITMENTS

As at 31 December 2012, the Group had capital commitments in connection with the property development activities amounted to HK$111.7 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$239 million.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2012, the total number of employees stood at approximately 412. Total staff costs for the year under review were approximately HK$50.2 million. The Group offers its workforce comprehensive remuneration and employees’ benefits packages.

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 enquiry of all the 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 2012.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2012, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") (previously known as Code on Corporate Governance Practices) as set out in Appendix 14 of the Listing Rules, except for certain deviations which are summarised below:

(1) Code Provision A.6.7

Following the amendments to the CG Code, code provision A.6.7 of the CG Code came into force on 1 April 2012, 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, two non-executive Directors (including independent non-executive Directors) could not attend the extraordinary general meeting of the Company held on 11 June 2012 and the annual general meeting of the Company held on 26 June 2012 (the "2012 AGM"). However, at the respective general meeting of the Company, there were executive Directors and a non-executive Director and 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").

(2) 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 2012 AGM. However, Ms. Wang Wenxia, the Vice Chairman and executive Director of the Company, took the chair of that meeting, one non-executive Director and 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.

AUDIT COMMITTEE

The Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The audit committee is accountable to the Board and the primary duties of the audit committee include the review and supervision of the Group's financial reporting process and internal controls. The audit committee currently comprises Mr. Wong Chi Ming, Mr. Chan Pok Hiu and Mr. Wang Jian, who are the independent non-executive Directors of the Company.

The audit committee has reviewed the audited consolidated results of the Group for the year ended 31 December 2012.

SCOPE OF WORK OF HLM CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2012 as set out in this announcement have been agreed by the Group's auditor, HLM CPA Limited to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by HLM CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLM CPA Limited on this announcement.

By order of the Board
China Water Property Group Limited
Duan Chuan Liang
Chairman

Hong Kong, 26 March 2013

As at the date of this announcement, the Board comprises 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.